SEPTEMBER 1957

The Mortgage Banker

The 1957 School of Mortgage Banking classes at Stanford. Course I and, below, Course II

in this issue ------------ ECONOMICS OF THE DEMAND FOR HOUSING ★ THIS IS NO 1929 FOR REAL ESTATE ★ LET'S SELL FHA

MBA Calendar

September 23-26, Electronic and Tabulating Equipment Servicing Clinic, Hotel Commodore, New York

November 4-7, 44th Annual Convention, Statler Hilton Hotel, Dallas

The Mortgage Banker

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Contents

HOUSING
THE STALLED REVOLUTION

IS HOUSING any longer a growth industry? Builders have been turn-away from big-volume, low-cost housing, and the pressures on them to continue the movement have been mounting at a quickening pace. A man who symbolizes the great postwar building surge, William Levitt, did no winter building for the first time since the war, and he has just had to add $500 to the price of every new house in Levittown, Pennsylvania. Builders in Ohio have postponed plans for big developments in the Cleveland area. Whether such events, repeated across the nation, signify a loss of the traditional mass market—or the anticipation of a new, higher-income mass market—they are sure signs of historic change in the nature of home building and home buying. And with this change, in the not distant future, there will descend upon almost every American community a host of almost unprecedented economic, social, and political issues.

Here are the basic facts of the present situation:

» The years 1955 and 1956 witnessed a sudden and sharp divergence between the course of the economy in general and the course of the home-building industry in particular. Two years ago it looked as if there might be an "ever normal" housing boom. Over the last two years, however, when gross national product has been *rising* more than 9 per cent, employment 6 per cent, and purchases of plant and equipment more than 28 per cent, home-building starts have *fallen* 25 per cent. From an annual rate of more than 1,350,000 at the start of 1955, they dropped to barely one million in the first quarter of 1957—and less since then.

» The ever rising cost of houses has helped keep up the industry's dollar volume, but it has signified a profound shift in the market. The production decline has come overwhelmingly in the low-income sector of the market. The median price of a house has climbed relentlessly from $12,300 in 1954, to $13,700 in 1955, to a probable $15,500 in 1957. And with the average cost of each housing unit

No industry affects so many people so vitally as does building. Thus a healthy building industry is a big part, a very big part, of prosperity—and, by the same token, can make a big contribution to business recession. Housing is the keystone of building, and today it is not doing quite as well as it did last year or the year before. The explanation is usually: tight money. But is that all? Has housing become, as FORTUNE *labels it, a stalled revolution?* FORTUNE *has taken the question and sought out the answers. The article is by Emmet Hughes and Todd May and is a remarkable document, listing in detail the progress and set-backs of housing during this generation. It suggests avenues for builder, lender and government to investigate if the housing business is going to fully meet the challenge before it. It is condensed with permission of the editors of* FORTUNE.

continuing to increase, the industry promises to continue its process of concentration upon higher-income purchasers.

» From the viewpoint of the economy generally, all this assumes broader meaning because of the singularly significant nature of the home-building industry. Bigger than all utilities combined, much bigger than railroading, this industry has served to buttress American prosperity since World War II in much the same manner that the then-new automotive industry served national prosperity after World War I. Its flourishing has inevitably set in motion a fast-ramifying pattern of economic growth: highways and schools, churches and stores, washing machines and lawn mowers, furniture and lumber and paints, on and on to the lock and key finally installed on the front door of every house. In a postwar decade of unprecedented growth, home building added more than $100 billion to our national production. Twelve million new dwelling units have provided more than 12 million man-years of work directly on the job.

From the viewpoint of American society, today's slowdown in this productive revolution means that the buying of the low-cost suburban house has become more difficult at a time when a home in the suburbs has become more widely coveted than ever

before. And this occurs at a time when no consolation can be found in the state (as distinct from the size) of the existing stock of housing: with old houses decaying faster than good new ones replace them, the standard of American housing relative to American income is lower than it was in 1929.

» NO ONE GUILTY: Neither the incompetent builder nor the usurious lender nor the greedy consumer nor the reactionary community planning board nor the featherbedding labor union—no single one can conveniently be cast as the villain of this tale. And a great measure of the difficulty arises, as we shall see, not from the fault of any group, but from the very nature of this quite unique industry.

How does the industry view its own dilemmas? Fortune's annual survey of home builders reveals that—while almost all builders' forecasts for the industry are gloomy—the actual individual building plans of each do not add up to so bleak a picture. Analysis of these individual intentions for 1957 foreshadows a drop of only some 6 per cent from 1956, i.e., from 1,097,000 to 1,030,000 starts.

No less important is a distinction revealed in the survey: the most pessimistic are the *biggest* builders, the mass producers of low-cost units. "There hasn't been a crisis like this since 1932-33," says William Levitt. "*We are dying!* And I can tell you why in two words—*tight money.*" Levitt indeed speaks for builders heavily dependent upon that sector of the market that is in trouble. Virtually the whole cutback in housing has come in that sector of the market dependent upon FHA and VA financing (i.e., wherein the government, while reducing the lender's risk to a minimum also sets the chargeable interest rate, currently 4½ per cent on VA and 5¼ per cent on FHA). This kind of government-backed financing, of course, covers the middle-to-low income section of the market. The market for conventionally financed houses (i.e., mortgages earning the lender 5 to 6 per cent) has held steady —accounting for some 650,000 housing starts in 1956.

» BUILDER DILEMMA: There is considerable irony in this situation. The contrast between the conventional (steady) and the government-supported (unsteady) mortgage markets is the exact reverse of what was expected a decade ago: it was thought that the government-supported mortgage would almost surely provide the stable element in an otherwise sharply fluctuating market. And an even greater irony confronts the builder: his industry, having for so many post-war years both reflected and reinforced the general prosperity, now finds itself in effective competition with prosperity itself—that is, with an industrial productivity seemingly insatiable in its appetite for capital.

Builders point out, accurately enough, that in a time of tight money, their industry absorbs more than its share of punishment. It has needed some $10 billion of new mortgage money every year, over and above the $16 billion roll-over in existing mortgage debt through amortization. It is the one industry that, in its reliance upon VA and FHA financing, finds the government setting a ceiling on what can be paid, i.e., the interest rate, for nearly half the money it needs. Competing corporate bidders for money, at the same time, enjoy certain advantages: (1) they can

write off half the cost of their money against taxes; (2) they borrow not simply to meet expenses but in anticipation of a high return on their borrowed money; and (3) the big, established corporation holds a much stronger bidding position than the home builder. The home builder is, in overwhelming numbers, a small businessman. And this also means that it will take him longer to recover from the effects of tight money even when an easing does occur: his is no assembly-line operation capable, like the automotive industry, of doubling production after a short-term lag.

Whether or not all this is iniquitous, there can be no doubt that for the builder of FHA and VA houses it is expensive, for he must attract money by paying discounts to the lender; for example, on a four-point discount, the builder receives only $9,600 cash on a mortgage with a face value of $10,000. Today's discounts can range (notably on the West Coast) as high as eight points, so that one big-scale western builder reports that he would have ended 1956 a wealthier man had he simply given every purchaser of one of his homes a $100 bill instead of trying to build a house for him. By another peculiarity of his industry, the builder has a great deal of difficulty in passing on the cost of the discount to the consumer: VA prohibits the sale of a house for more than its Certificate of Reasonable Value, and no FHA purchaser wants to increase his down payment by the amount of the discount.

›› THEY WANT THE BEST: No cheap money, no cheap houses—so cry the mass of the builders. And the logical progression goes a critical step further: no cheap product, no big-volume market. To the bafflement of many people, the American consumer has for years been cutting down the proportion of income he spends on housing—and he has yet to show any marked willingness to spend more freely. Recently, it is true, more disposable income has been going into the housing market, but most of this slight upward shift has been accounted for by a relatively small upper income group. To a degree, the increase may reflect some willingness on the part of people to upgrade their housing standards, but it also reflects the exigency imposed on the consumer in a market of rising rents and more costly houses.

And so finally any assembly of builders inevitably ends its deliberations, these days, with two exhortations on the social consequences of tight money. One: the housing needs of the low-income family are no longer being met. Two: nearly 900,000 new homes are needed annually just to keep pace with net household formation—and this figure makes no allowance for demolition or a net improvement in the nation's housing inventory.

The gravest causes of today's problems wholly antedate the recent short supply of money. Each year for the last five years the building industry has been steadily producing more units for upper-income groups and fewer

units for lower-income groups—and this striking shift in the housing market is clearly traceable back over the years 1950-55. In 1950, some 4 per cent of families earning more than $7,500 bought new houses; in 1955, while rising income had increased the number of families in this income group, the percentage of this larger total that were home buyers climbed to 8 per cent (on the basis of the reasonably representative statistics on FHA purchases). In absolute figures, this upper-income group in 1950 bought about 180,000 new homes out of a total of 1,100,000; in 1955, out of a total of 1,200,000 new homes, this group accounted for the purchase of 470,000 units. Stated another way: while prosperity increased the number of families in this upper-income group by about 22 per cent, the group's number of home buyers soared more than 150 per cent. And finally, stated most bluntly: well before the shortage of mortgage money, the building industry began abandoning the low-income market.

Why did this come about? Summarily stated: the building industry, confronted with rising costs that it could not or would not control, in effect decided that it could maintain volume only by adding more value per unit, thus attracting a wider market in the upper-income brackets. And the proof of this is the fact that while labor, land, and material costs have been rising some 13 per cent in the last three years (as against a 3 per cent rise in general prices), the real value per average unit has gone up an additional 13 per cent. And the consumer has had to pay for both of these increases. More-house-for-more-money has become the ruling practice of the industry.

This practice has been fostered—it should at once be noted—by a number of factors beyond (or largely beyond) the power of builders to control.

›› LAND PROBLEM: First: the key cost factor has been the phenomenal increase in the cost of land. As N. H. Rogg, economist for the N.A.H.B., puts it: "Since 1950 the cost of land has increased more than all other cost factors combined. Back in 1950 the rule of thumb was that land constitutes about 10 per cent of the value of the house. Today, the

builder figures the land cost as close to 20 per cent of the value of the house." It is virtually impossible to put low-cost housing on high-cost land. A case in point is the operation of a big Detroit builder who today prices at $16,000 the same house that he offered a few years ago for less than $14,000. He knows quite well that he must soon exhaust the number of junior executives able to afford such a house—and how can he sell it to Detroit's skilled workers? He can only shrug with resignation and observe that the price of his lot has climbed from $1,400 to $3,800. He is quite aware of his problem, quite unaware of any clear solution.

Second: community policy across the nation has become increasingly aimed at driving the builder out of the low-cost housing market. Everywhere, communities fear the burden of such housing that will bring in little tax revenue but will demand the costliest of municipal facilities. Thus Long Island's crowded Nassau County boasts some sixty different plumbing codes, as each community rivals its neighbor in trying to make more difficult the invasion of more low-cost housing. Where the invasion is not completely repelled, it wins a beachhead only at heavy cost: requirements (drainage, roads, lot sizes) are raised so that the lot that demanded $900 for improvements a few years ago today demands at least $1,500.

And third: even before the current mortgage-money shortage, credit restrictions *did* play some role in the builders' retreat from the low-cost field. Regulation X of the Korean war years called for higher down payments and shorter terms. This effectively encouraged the turn toward the higher-priced house: builders sought the kind of market that could put up the necessary cash, and this obviously tended to turn their attention from the low-income groups.

There is no doubt, however, that other factors—clearly *within* the control of the industry—have brought much, if not most, of today's trouble. As one of the industry's sympathetic observers, *House and Home*, has said: "The big reason we are in trouble now is things were too easy in 1947-51. In those years of critical housing shortage and easy mortgage money,

everything sold. . . . Costs hardly seemed to matter if you could just get FHA to cover them in its appraisals. . . . We learned to hide increased costs under easier terms. What difference did it make if your price went up from $10,000 to $12,000 if extending the mortgage from fifteen years to twenty years made the monthly payment lower on the higher price?"

›› EASY MONEY DAYS: The truth is that it made virtually no difference at all to the builder so long as the easy mortgage money lasted—and so long, of course, as climbing costs had not too drastically narrowed his market. A successful midwestern builder has these even less kind words for his colleagues: "For the first time in a long time a really competitive market is developing—and a great many builders can think of nothing but yelling for the government to help. Competition has been developing on two fronts. Within the building market, the purchaser has been getting more selective and demanding. And with the shelter shortage really ended, houses have to compete with a host of other consumer goods for the dollar. A lot of builders find they have to get out of a very soft bed, and they just don't like it."

There is a lot of unpleasant truth in the charge that home building has not conducted itself like a growth industry. In design and imagination, it has produced—in striking contrast to the automotive industry—exactly one major new idea in a generation (the split-level). In research and merchandising, as builders themselves often complain, the industry remains almost primitive. It has gazed in awe at the automotive industry's thriving on the practice of trade-ins—but has managed to apply to itself little of what it has witnessed. It has done nothing effective to curtail the mad waste of the crazy quilt of building codes. It has done nothing to end labor practices that demand a day's pay for an "engineer" to press a button starting a cement mixer at the beginning of the workday, press the

button once again at day's end. It has done nothing to encourage a rational land policy: many a builder, instead, has enjoyed playing the land-speculation game. And it has made only the most desultory gestures in the direction of cutting material-handling costs. The day still seems distant when the majority of builders will use prehung doors, pre-fitted hardware, preassembled plumbing or trusses—in short, the techniques of modern industry.

The prefabricators were counted upon, in a rather sanguine view, to change all this. To date, they account for less than 7 per cent of housing starts. They have, indeed, pointed the way to many mass-production methods in home building; but their experience has also pointed to a number of the industry's stubborn inherent problems. The lack of uniform specification codes troubles prefabbers more than any other builders, for they must live by standardization. Shipping and trucking the prefab house is neither easy nor cheap. Sixty per cent of the price of the house represents work done on location, usually with local labor and contractors.

As the prefab experience suggests, the home-building industry comes with some built-in problems quite uniquely its own—problems that begin with the nature of the product itself.

The building industry itself is an aggregation of small operators. Such an industry has a hard time slashing costs by the normal techniques of industrialization. A new roofing method, for example, may splendidly cut costs, but if it requires the building of a dozen units before the saving takes effect, the technical advance is of no use or interest to the great majority of small builders. Thus it is not surprising that the industry has done so little in the way of research. Building experts guess that some $250 million a year is spent in research on materials used in home building—but this is done mainly by big manufacturers, such as Du Pont or Johns-Manville, which *supply* the industry.

The home-building market has its complicating characteristics—notably the fact that it is really a mosaic of local markets varying in demand, popular taste, credit facility, climatic conditions, labor supply, building codes, land availability. In terms of climate and taste, for example: there are basements in only 20 per cent of new houses in the South, in 90 per cent of new houses in the Northeast; brick facing is favored in the South, wood frame in the North, stucco in the West. In terms of credit: a prime source of mortgage money is the big savings bank: only seventeen states have savings banks, and it happens that most of these are eastern states. In terms of fluctuating demand: California, having accounted for no less than 18.5 per cent of the nation's whole home-building activity in 1955, today finds many sectors of its market glutted. At the opposite extreme stands Chicago—having lagged for years, it is likely to be a most lively market in 1957. Some of the country's largest mobile builders are already moving into Chicago to anticipate the needs, in the next five years, of an addition of more than 500,000 to the city's working force (thanks to the St. Lawrence Seaway and the new Calumet Harbor). It is evident that all this makes "national" statistics somewhat unrealistic. A surplus of

housing in California cannot compensate for new needs in Chicago.

The building boom on Long Island has followed a pattern completely its own. Money has been no problem at all; local builders have rarely had to leave the island to place their mortgages. Yet the island's boom began faltering as long ago as 1954. The reason was the near exhaustion of available land within a ninety-minute commuting distance of the work centers. The market contracted as buyer resistance rose in the outlying areas, as zoning boards hardened their opposition to low-cost housing, as builders bought and held land for future speculation. Today the special Long Island cycle seems to be entering a new phase. Worried by the fall in demand, builder speculators are beginning to develop land they have been hoarding, and one realtor speculates that houses recently priced from $14,000 to $18,000 may dip in price as much as $4,000.

Throughout this mosaic of local markets, one factor has seemed constant: everywhere the buyer wants more, yet more, house. And this demand of the consumer—perhaps as much as the cost of land or money or materials, or the disorganization of the industry—has helped to push the housing market to the higher-cost ground of the 1950's.

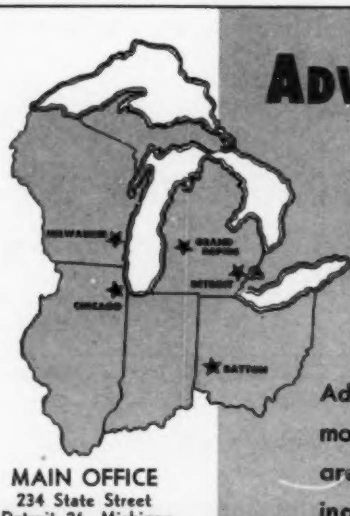
Growing families and growing incomes have inspired this desire for more house. In sheer size, the average floor area went from 983 square feet in 1950 to 1,230 in 1956. The most striking shift has been from the two-bedroom to the three-bedroom house. In 1950 the two-bedroom house predominated over the three-bedroom house by two to one; by 1956 nearly four-fifths of all new houses in metropolitan areas had three bedrooms. With the third bedroom has come the second bath. The proportion of 1950 new houses with only one bathroom was 92 per cent; in 1956, 51 per cent of new houses had two bathrooms or more. A bathroom, it is worth noting, is one of the most expensive items in house cost.

Other costly trends have been encouraged by the consumer's fancies, and in a time of swiftly rising living standards generally, these fancies are not modest. For example, as one Long Island architect notes rather testily: "Snob appeal matters a great deal, and we are expected to put a two-car garage on a $13,000 house even if the owner has nothing but a lawn mower to put in half of it." The invasion of TV has inspired the demand for a "family room" or a second living room. The glittering gadget, in bathroom or kitchen, is a universal lure. As one architect observes: "The more the kitchen resembles the dashboard of a DC-7, the better."

The consumer's wants cannot be overruled by professional architects pronouncing what is at once economical and "progressive." At last year's Women's Congress on Housing, sponsored by the Housing and Home Finance Agency, the top preferences of the 103 ladies included: (1) the separate dining room to keep eating a decorous family affair; (2) the front foyer to screen the family from unwanted visitors; (3) the old-fashioned parlor, immune from the disorder prevailing in a "family room"; and (4) the big, comfortable, traditional kitchen.

With all these factors (the cost of land, the nature of the industry, and the taste of the consumer) conspiring to make the house steadily more expensive, what is going to be the future character of the home-building market?

Will the consumer match his desire for more house by spending more of his disposable income to get it? There still seems to be little indication that the house is today attracting more than its traditionally low share of the individual consumer's spending. In fact, housing, as a per cent of total personal consumption expenditures, has, for a generation, been going from low to lower—from 13.8 per cent in 1929 to 11.3 per cent in 1955. (The slight upward shift noted earlier has been concentrated in the upper income groups.) A lot of inconclusive theorizing has been done by housing experts and builders themselves on the reasons and the cures for this. It is true that builders generally are (even consider themselves) inept merchandisers; yet there are few instances across the nation where the



builders' ready-made houses (now constituting more than 80 per cent of the production) have been standing vacant for want of merchandising.

One obvious fact is that more and more consumer goods—their prices rising far less steeply than housing—have been competing for the consumer's dollar. And it should also be noted that the term "housing" is not easily definable as an isolated item of expense. To the outlay generally recognized as going for housing there really should be added the host of incidental costs not entered under this simple label—not only appliances and maintenance costs, but also some commutation expense, which goes ever higher as the house gets farther from the job.

Now what about the controversial charge that the industry is pricing its product out of the mass market? This fear is reflected in the staff report to the Senate Subcommittee on Housing which set the 1955 national median income of $4,422 against the 1955 median nonfarm house price of $13,700, and concluded that "less than one-fourth of the homes produced" were within the means of the median-income family.

The figures, however, are misleading. The median *nonfarm* income, to begin with, is higher than the national median, and—what is most important—the entire 50 per cent of the population earning less than the median cannot be considered to be in the market anyhow. In this lower-income group are those whose incomes are less than $3,000, which makes home ownership impossible without subsidy, those who already have found their houses, especially in the low-cost building boom immediately after World War II, and those who just don't want to own a new house.

There is no doubt that the housing market of the future will move toward the bigger and better house. The number of families with more than $7,500 in disposable income has more than doubled since 1929—but the number of houses within the range of this group (worth $22,500 or more) has actually *decreased*. At the same time, the number of families with $2,000 to $4,000 of disposable income has increased relatively slightly—while the number of houses in their range ($6,000 to $12,000) has risen much more than proportionately. It is precisely for these reasons that the housing industry, which is being criticized for building too many high-cost houses, has been criticized in recent years for building too many low-cost houses.

The critical issue is one of timing. The better, more expensive house does *not* necessarily mean loss of the mass market; it is true that today there is not the demand for the lowest-cost housing that there used to be. But the trend to build the higher-priced house can go too *fast*—as it has of late—getting ahead of the demands of the lower and medium-income brackets. And these demands cannot be satisfied by older houses, for during the postwar period their prices climbed too closely behind the prices of new houses. Both market and industry in short, are in a period of transition.

What next—in this time of transition? To begin with the most immediate problem of the industry, it does need more ample credit. Much of this need can probably be met by allowing the VA rate to be raised to 5 per cent and easing FHA downpayment requirements. More extreme—and of doubtful necessity at the moment—would be for the Federal National Mortgage Association to increase its mortgage buying, or for Congress to give VA access to GI insurance money for investment in mortgages. All such measures must be restrained lest there be too swift an increase in mortgage debt.

The pertinent arguments for increasing the supply of money for

(Continued Page 47, Column 2)

Housing Demand Is Stronger Than the Statistics Show

During this period when even many of the experts are puzzled as to just what is the extent of the unfilled housing market, an analytical expert has examined the basic factors upon which effective demand depends and comes up with the conclusion that it is a considerably larger market than even some of the most enthusiastic builders contend. Of course, the money problem is recognized, as well as the wage-cost push and the other factors that cloud the present outlook; but as for actual demand—people who are active prospects—it still exists in a very larger volume.

THE cessation of growth in the volume of home-building is not the result of lack of demand, measuring demand by what people are willing and able to buy.

Trends in demand can be discovered in many ways. One of the simplest of course is the measurement of vacancies, and the noting of trends in prices and rents being paid for existing properties.

Such measurements indicate that there is a strong market for housing. They do not measure just how strong the demand is.

If an arbitrary figure of 100,000 is used for the market for houses costing under $10,000—and this is probably too small—the market would absorb at least 1,200,000 houses now. That would permit the demolition, abandonment, or conversion of only about 350,000 houses—which is still a small number for our economy.

It is my judgment that there is a sound market for at least 1,200,000 houses a year today.

Such a volume would not require increased amounts of credit—at least it would not require more than was used in 1955, but such a volume would require much better matching of the supply of new houses to the demand.

The market for housing is obviously competitive today with markets for other goods or services, such as automobiles, vacations, or rehabilitation of existing properties. Most, but not all, families are well enough housed now so they can choose between improving their housing, getting a bigger automobile, taking a more expensive trip, or improving the house in which they are currently living. When a salesman for automobiles, for travel, or for do-it-yourself remodeling materials can do better than the salesman for housing, or when the price of these competitive items is better than the price tag on a new house, some families who otherwise could be improving their housing standards may shift their expenditures elsewhere.

A large operator-builder with whom I spent some time recently complained strongly about the weakening of the market for his houses. An associate made a relatively scientific analysis of what the market was in the area where he was building, of who was buying his houses, and of the families to whom he was trying to sell. It was discovered, for instance, that the families to whom he was making the appeal did not have the income for the houses he was building, and that while he was directing his sales efforts to homeowners whom he thought were prospects for upgrading, most of the sales were made to renters. He had a market for the houses he was building but that market was among a different type of families than those he was soliciting. There was a housing market too for the families he was soliciting, but the houses he was selling did not fit that market.

By **Dr. Robinson Newcomb**

Robinson Newcomb Associates

Statement before Sub-committee on Fiscal Policy, Joint Economic Committee.

Careful market analysis and careful pricing are necessary if 1,200,000 houses are to be sold. Merely making funds available will not mean that this volume will be sold. But if the market analysis is properly made and the houses are efficiently designed, located, built, and priced, then the availability of credit adequate for 1,200,000 houses would, I believe, result in such a volume of construction.

It should be feasible to provide an adequate amount of funds without feeding inflation. The total money supply in the market as a whole will

be greater in 1957 than it was in 1955. And a smaller net flow of credit to housing would be needed to provide 1,200,000 houses this year than was needed to provide the even larger volume of housing in 1955. This is the case in part because repayments to mortgagees on the existing mortgage debt of over $100 billion are running appreciably higher than the repayments on the mortgage debt of something over $75 billion two years ago.

This point may be worth elaboration. The sale of 1,200,000 homes at the average price of $16,000 would yield an aggregate transaction value of $19.2 billion. At the same time, the market would require the sale of about 2,200,000 existing houses. At average transaction value of $11,000, this would mean $24.2 billion. These two categories together would result in a total transaction value of roughly $43.5 billion. These transactions in 1955 were probably in the neighborhood of $42 billion.

Assuming a total mortgage-to-transaction relationship for new housing of 57 per cent (the same ratio reported for 1955), and of mortgages on old houses of 55 per cent (as reported for 1955), and allowing for the mortgage-writing on existing houses for purposes of improving the housing or for other reasons exclusive of sale, of $5 billion, the mortgage-writing shown in Table I would be required in 1957 to support a 1,200,000 new 1-4 family house sales.

This 1,200,000 volume of new house sales would therefore require no more, and possibly less, net new credit than the $12.6 billion the economy provided when going at a somewhat lower level in 1955.

It would appear that there is enough credit extant to support such a volume if it could be tapped. The total flow of funds for investment purposes, including mortgages, has been increasing, while the flow of funds on mortgages to 1-4 family homes has been decreasing, as shown in Table II.

This table is based on the Investment Outlook reports of the Bankers Trust Company. The estimate of the flow of investment funds to non-financial organizations for 1957 is revised upwards from the $8.5 billion as originally published because the sale of new capital issues floated in the first four months of this year were nearly 50 per cent greater than in the first four months of last year. This, and other facts, suggests that a small upward revision of the figure originally published may be in order.

The flow of credit to 1-4 family housing is dropping, while the total flow is rising, in part because of the fact that investment funds are now going more heavily to institutions which do not emphasize writing mortgages on 1-4 family residential properties. This is shown in Table III.

This table suggests that the flow of funds to institutions not emphasizing home mortgages rose slightly in 1956 and may rise by $1.6 billion, or 14 per cent in 1957. The flow of funds to mutual savings banks and savings and loan associations rose by about $1 billion in 1956, and are forecast to drop by $1 billion, or about 14 per cent, in 1957. While the flow of funds to these two institutions was 65 per cent of the flow to the other institutions listed in 1956, it may be down to about 49 per cent in 1957.

This may understate the seriousness of the decline because there was a greater possibility of shifting funds in 1956 than there may be in 1957. Mutual savings banks, for instance, could sell governments more freely in 1956 than they probably can in 1957, so the decline in resources available for home-mortgage financing may be greater than suggested in this table. If, as the Bankers Trust Company suggests, we have only $9 billion with which to finance net new home-mortgage writing in 1957, it may be difficult to finance much more than a million 1-4 family housing units this year. Should the available new mortgage money come to only $8 billion, it may be difficult to finance much over 900,000.

The data for the first three months of 1957 indicate the Bankers Trust Company has not overdrawn the situation. The new flow of funds to savings and loan associations through March, for instance, was lower than

TABLE I

(Billions of Dollars)

	1957	versus	1955	
Mortgage debt required for new	$10.9		$10.2	
Mortgage debt required for old	13.3		13.3	
Mortgage debt, 1-4 family houses, other purposes	5.0		5.0	
Total new mtge. debt required	$29.2		$28.5	
Total debt repaid in 1957	17.0	(17% rate)	16.1	(21% rate)
Total increase in 1-4 family mortgage debt	$12.2		$12.4	($11.1 in 1956)

TABLE II

Flow of Investment Funds by Use

(In billions of dollars)

	1955	1956	Anticipated 1957
Non-financial corporations	$ 6.1	$ 7.6	$ 9.0
Other than 1-4 family mortgages	3.5	3.8	5.0
State and local debt	3.4	3.2	3.7
Total	$13.0	$14.6	$17.7
1-4 family mortgages	12.4	11.1	9.0
% 1-4 family mortgage of other flow	95.4%	76.0%	50.8%
Grand Total	$25.4	$25.7	$26.7

IT IS my judgment that there is a sound market for at least 1,200,000 houses a year today. Such a volume would not require increased amounts of credit—at least it would not require more than was used in 1955, but such a volume would require much better matching of the supply of new houses to the demand. . . . This 1,200,000 volume of new house sales would therefore require no more, and possibly less, net new credit than the $12.6 billion the economy provided when going at a somewhat lower level in 1955. It would appear that there is enough credit extant to support such a volume if it could be tapped.

it was a year ago, and actually 12 per cent lower than it was in 1955. Money is not flowing as freely as formerly into mortgage markets.

In order to finance a million units with the possible $9 billion of net new mortgage money we may get this year, we would have to assume no increase in the purchase of existing houses with credit, or no increased mortgage borrowing to improve existing houses by families who find themselves unable to buy new.

It is possible also that we will not have $9 billion in new mortgage money because that figure assumes that about $17 billion will be paid off on existing mortgages. In view of the increase in interest rates and the difficulty of financing, it may be that mortgagors will not repay existing mortgages as rapidly this year as they did last. Should repayments drop to approximately 16 per cent of the amount outstanding at the first of the year rather than 17 per cent, the net flow of funds to the 1-4 family mortgage field might come to only $8 billion. This might underwrite a new housing volume of approximately 900,000 rather than a million units.

It is obvious that under current conditions the total flow of investment funds will be greater this year than last year, while the flow available for housing will be less. One of the main problems for the housing segment of the economy therefore is that of facilitating the flow of funds back into the mortgage field from institutions which are now getting more of personal savings than formerly.

This problem is aggravated by what has been called an "Iron Curtain" around some of our long-term credit institutions. The flow of savings over a period of time to savings and loan associations, for instance, may exactly match the need for mortgage funds from these institutions. But at times it may be in excess, and at other times it may be short of needs. The opportunities for savings and loan associations to secure funds are limited rather rigidly and almost entirely to flow of funds from individuals in the form of deposits, or the equivalent. When this flow is larger than these organizations can handle through their normal mortgage operations, the interest rate on mortgages may drop. When the flow of funds is not adequate, interest rates on mortgages can rise quite markedly. Nevertheless, savings and loan associations cannot easily go into the open market to get more funds to supply the mortgage needs.

In order to make it possible for money and credit to flow to the mortgage mart when it is needed, this "Iron Curtain" must be removed and interest rates must be as free as the rates in the remainder of the market.

Any control over interest rates should be a function of over-all policy rather than control in one limited area only. When the attempt was made at the end of World War II to control the price of some building materials going into houses, it was discovered there was a tendency for these building materials to go elsewhere rather than into housing. If all prices had been controlled, it might have been possible to get an adequate flow of building materials to housing, but when it was less profitable to divert resources to housing than elsewhere, housing suffered. So, today, the effect of price control on certain types of mortgages has been to reduce the opportunity for individuals to choose between buying houses at higher interest rates and buying automobiles at higher interest rates, for instance.

Funds are flowing to institutions handling consumer credit, and the individual can buy automobiles if he chooses to pay the higher rate these institutions can command. He does not have that option with housing. So controlling interest in one segment of the economy only tends to mean not that individuals get more housing cheaper, but that they get fewer opportunities to buy houses.

Many of our current financial institutions were created or altered after 1929. The frame-work in which some of them were created emphasized the

need for high liquidity as protection against loss. That was a frame of reference designed for a depression economy. The frame of reference in which we can have healthy growth with stability is quite different. Healthy growth requires both the flow of credit and of savings to and from the areas of shortage and surplus, and the most effective use of the savings flowing to each institution. The best use of savings does not mean that each institution should attempt to protect itself against depressions. Should a depression occur, a high liquidity would not be of much value. Overall steps would have to be taken to stop the depression. The existence of high liquidity ratios would not save the day.

If we provide for a healthy growth, the chances that a depression will come will be reduced. If all institutions have a high liquidity ratio, development of this ratio could slow down healthy growth and tend to create the condition against which high liquidity was designed to protect. It could then be argued that the need for high liquidity had been proven.

Governmental agencies have not been particularly helpful in facilitating the flow of funds between institutions. Neither has it been easy for them to forget that liquidity needs of depression days need not control the growth needs of a more prosperous era. Past actions of the Home Loan Bank, for instance, have discouraged borrowing and at the present time the Bank is attempting to make savings and loan associations more liquid. Commercial banks, which make relatively fewer mortgages, have been getting less liquid, while savings and loan associations were becoming more liquid.

The important home-finance problem today is not liquidity, but finding means for accelerating the flow of savings from growing institutions such as mutual investment funds, pension funds, retirement funds for state and local governments, into the housing market, and for making the most of these funds once they reach mortgage institutions.

The housing market must not be left to depend primarily upon the direct flow of savings to agencies which emphasize mortgages.

This may be expressed in another fashion. To use savings and loan associations as an example: in 1940 the equivalent of about 5 per cent of the personal savings went to savings and loan associations. This grew rapidly to about 30 per cent in 1955. It dropped to about 24 per cent in 1956, and may be down to 20 per cent in 1957. With a growing preoccupation with inflation, and with the increased promotion of the stock market and of mutual investment funds, it is natural that families should be more conscious of opportunities to invest in stocks and bonds. They should have this opportunity. But if they do shift their investing habits, there should be counter changes to make it possible for institutions benefiting from this new investment pattern to participate in the financing of the volume of housing the economy needs. Should savings become institutionalized, that is, should they go only to institutions who loan them to corporations and institutions only and not back to people as in the form of mortgages, housing will be in bad shape.

I suspect that the problem of keeping institutions abreast of changing economic needs is one of the greatest challenges the government and the economy faces. Unless we have institutions fit for 1957, we shall have a volume of housing fit for 1937.

TABLE III

***Flow of Funds by Institutions**
(In billions of dollars)

	1955	1956	1957
Life insurance companies	$ 6.3	$ 5.7	$ 6.0
Corporation pension funds	2.0	2.2	2.3
State and local retirement funds	1.3	1.4	1.5
Time deposits, commercial banks†	1.7	2.1	3.2
Sub-total	$11.3	$11.4	$13.0
Mutual savings banks	$ 1.9	$ 1.9	$ 1.5
Savings and loan associations	5.4	5.5	4.9
Sub-total	$ 7.3	$ 7.4	$ 6.4
Ratio mutual savings banks and savings & loan to others	64.6%	64.9%	49.2%
Grand Total	$18.6	$18.8	$19.4

***Based on Bankers Trust Company studies. †If the new interest rate permitted on FHA loans proves attractive enough, the projected increase in these time deposits for 1957 may support an increased volume of FHA insured lending.**

» A NEW LOOK AT 1957: Major revisions in 1956 construction expenditures, plus some unexpected and sharp shifts in a few building categories, have brought about some changes in the pattern of estimated 1957 spending, but no change in the over-all outlook, says Architectural Forum.

This year will show a moderate rise in total spending for construction, which is about what had been predicted earlier. But a $1.8 billion upward revision in spending estimates for 1956 by the Departments of Commerce and Labor have shifted the base on which earlier forecasts were predicated.

The new estimate of $46 billion for last year's expenditures results mainly from a $2.3 billion rise in estimated spending for residential alterations and additions, a $435 million increase in commercial building, and $615 million decrease in government spending.

This year the main steam behind the estimated 3 per cent rise in spending will come from an 11 per cent gain in public spending, while private construction activity will fall just a shade under last year's total of $33.2 billion.

Public housing is expected to be up 54 per cent over last year, and other

(Continued on page 50, column 3)

1929 VS 1957

Real Estate Will Not Again Lead a Depression Parade

By **NORMAN TISHMAN**
President, Tishman Realty & Construction Co., Inc., New York

THE real estate business is not "cyclical" or speculative because the whole nature of the business has changed materially—and all for the better.

In the 1929 era, the acquisition of land was undertaken well in advance of a project and required a maximum of capital. Either the land was purchased for all cash or it was bought subject to a mortgage that carried with it financing costs and required substantial cash equity.

Today, title to land is usually taken only when building operations are about to commence, with a minimum amount of cash tied up during the period while plans are being drawn and materials and subcontracts purchased.

It has become an accepted practice for builders to lease land for long periods of time up to a hundred years. Under such procedure, no capital is invested in the land at all. There is merely the obligation to erect a specific improvement on the land and to pay rent in a specified amount when the improvement is completed. Further, the rental paid on non-depreciable land is fully deductible in computing taxable income.

In the 1929 era, financing was limited to mortgages based on appraised value of the land and buildings to be erected. For the most part, such mortgages were limited to two-thirds of the appraised value and seldom exceeded 75 per cent of actual cost of major properties. This required not only a substantial amount of the builder's equity in the completed property but meant maintaining a substantial amount of equity for a number of years before being able to withdraw it from operating profits after taxes.

If second mortgages were used to augment the financing, the interest terms were excessive and the pay-out on the second mortgage was short with the result that, although the builder had less equity in the property, it was a longer period of time before that equity could be withdrawn.

Finally, many companies resorted to regular bank loans to augment their financing. Such loans reduced capital invested, but jeopardized the equity, since they were subject to almost immediate call.

Today, the situation has changed dramatically. Mortgagees have added a new dimension in their appraisal of property. In addition to their appraisal of the value of the land and the physical value of the building, they justifiably appraise that which is not real estate at all—the signatures of the tenants on the leases.

In 1929, corporations and individuals signed leases of three to five years, and anything beyond that was a rarity. Of equal importance was the fact that 10,000 to 20,000 square feet of space was considered a large occupancy.

Today, it is standard for large corporations to sign leases for 15, 20 and 25 years, and a great number of corporations require from 50,000 square feet of space to 250,000 square feet. They have found it efficient to have all of their offices together in one location and super-efficient to have their operation concentrated on one or two large floors, if possible. They have also found an advertising benefit from having a building named after them.

This combination of the financial worth of the corporation and its signature on a long lease for a large amount of space makes these leases a valuable and appraisable item for the mortgagee. And properly so. After all, the signature of a General Motors to pay an amount of money every

No one is seriously worrying about the possibility of another 1929 but it is of considerably more than academic interest to put real estate on the clinic table to learn if, in some future economic decline, it might play the same role it did during our last such experience. When we do, we find that, as Mr. Tishman points out, there are elements of stability today unheard of in 1929. More impressive is the realization that so many changes for the better have occurred in less than a generation.

month for 20 years is good enough to get it credit in the amount of such payments at a bank. That same signature on a lease is just as good and justifies just as much credit.

Today's leases, coupled with efficiency in building, result quite often in larger mortgages which leave the builder with far less equity in the property than was true in 1929. Further, by virtue of the mortgages having constant amortization and interest requirements, the equity holder annually increases his equity at a faster rate than heretofore.

In the 1929 era, the sale-leaseback transaction (I believe originated by us in 1947 at 445 Park Avenue) had not yet been heard of.

Today, the sale-leaseback transaction is a most important development in our business. This is simply a method whereby the creator of a "project" transfers or sells title to it and simultaneously leases it back for successive terms approximating the life of the building and even longer. The sale is made for an amount of money which reduces the equity to a minimum and sometimes, on a truly successful "project," eliminates equity entirely.

To illustrate, we can set up an imaginary "project." We will assume that we have acquired a piece of land in the Borough of Manhattan on which we are erecting an office building of a million square feet at a total cost for land and building of $30,000,000.

If the building were fully rented to satisfactory tenants at an average of $5.50 a square foot, a million square feet would yield an annual gross income of $5,500,000. Operating costs at $1.25 a square foot and city taxes on full assessment at current rates would create expenses of $2,500,000. This would leave $3,000,000 available for rental to the institution purchasing the property and for operating income to the builder.

Assuming that the property was sold for the full $30,000,000, the institution would probably require a rental of 7 per cent of $2,100,000 a year. If this were so, this rental would be entirely deductible in computing taxable income and leave the builder, who is now the lessee, with $900,000 per annum of income without any invested capital.

Thus, there is created a handsome income, and the leasehold, providing such income itself represents an equity of substantial value. The institutional purchaser feels that it is fully protected by the property and the leases, while the builder is afforded the opportunity to use his capital for the construction of another income-producing "project."

The purchaser calculates the rent in this example at a 7 per cent basis. If in the mind of the purchaser this represents 4 per cent interest and 3 per cent amortization, the purchaser is fully paid out at the end of 22 years. The years of pay-out, based on the interest factor used, are usually the years of the original term of the lease.

At the expiration of the original term, the renewal rent payable is reduced usually to 2½ or 3 per cent. This percentage for the remaining life of the building represents a clear and secure profit to the purchaser. To the builder in our example, it means a reduction of 4 per cent per annum in his rent charge, equal to $1,200,000 a year. This cushion developed through the dropped rent will either increase the builder's actual profits to $2,100,000 and thereby substantially increase his equity or, in the event that the times or the neighborhood have changed, will cushion and protect his $900,000 a year profit against reduced rents.

The institutions seek first class buildings, properly built with modern and far-seeing technical advances and rented to sound tenants. They are running practically no risk. The builder, by knowing his business, has thereby developed substantial potential equities through his skill and has his capital free to go on to the next "project."

None of this was possible in 1929.

In the 1929 era, the multiplicity of tenants occupying small space under short-term lease of three to five years resulted in high operating costs; also, the escalator clause had not yet been originated.

Today, not only are expenses less by virtue of full floor tenants against the multiplicity of tenants in smaller spaces that existed in 1929, but today's leases generally provide escalator clauses which require the tenant to increase rents where city taxes or labor costs are increased. Today, operating costs may increase, but if they do, the tenant's rent increases and the building is not caught in a squeeze between fixed income and increased expenses.

This was unheard of in 1929.

In the 1929 era, because the builder's equity requirements were substantial, he frequently, if not always, resorted to short-term bank loans. The result was that when the depression came he lost not only his equity but, with all of his assets at risk, stood the chance of being and, in fact, frequently was wiped out.

Today, in the case of the sale-leaseback just as in the case of the mortgage, the lease or mortgage is granted to a separate corporation and none of the other assets of the builder are jeopardized. Since the equity required of the builder is small as compared to 1929, there is little if any resort to short-term bank loans.

While a severe depression could cause a default and loss of a particular "project" not insulated by sound long-term leases (which would assure sufficient income to keep rent, or interest and amortization payments current), a builder would not lose his other properties so insulated, would not lose his free assets and could not be wiped out.

Separate corporations are not a matter of being shrewd but today's normal business practice in that the mortgagee or institution grants its mortgage loan or leaseback solely on the credit of the "project" and its tenants rather than on the credit of the creator of the "project."

Practically all of the items of instability which plagued the "project" creator in the 20's are non-existent today. There is now a stability to real estate and an ability to be protected against depression that did not then exist.

The "project" creator, secured by rents paid by responsible tenants under long-term leases which have escalator clauses seems to be better protected and more certain of his future than most other businesses which are subject at all times to future changes in the national economy with few if any of these safeguards and protections.

From Mr. Tishman's address before the New York Society of Security Analysts.

President's Page

WORK DONE BY MORE OF OUR WORKING COMMITTEES

WHEN A new Association year begins, the job to be done by most of our committees is well defined and the general pattern established—and what is called for is action. Since the membership of our Committees this year was determined before the start of the year, most committees began work immediately. One or two of them, however, were faced with responsibilities which—for many—would have seemed almost hopeless. A case in point is one of the newer MBA committees, that of

Redevelopment, Conservation and Rehabilitation headed by William D. Galbreath of Memphis. This committee is charged with representing our industry in the field of urban renewal—and the plain fact is that the results accruing so far from Sections 220 and 221 have been discouraging indeed. Progress has been slow, and HHFA and FHA officials are deeply concerned. Yet, despite what must have seemed an almost impossible assignment, our committee headed by Bill Galbreath has convened on many occasions, explored the progress of urban renewal and, in countless ways, has lent our active support to this effort.

John F. Austin, Jr.

At the present time, this committee is querying members as to the status of the 220 and 221 programs in their communities, seeking to find why progress has lagged. They are inquiring as to what investor interest other than FNMA exists for these loans and what might be done to enhance this interest. Finally, they are seeking to learn what can be done to make these programs more workable.

This committee is performing a vital and important task and certainly deserves the Association's commendation. As a group, we have a public responsibility which every mortgage banker must fully recognize. It is in fields such as urban renewal where this public responsibility is most clearly defined. Our committee is doing a fine job for all of us.

The Farm Loan Committee, headed by Roy C. Johnson of Newkirk, Oklahoma, is one of MBA's oldest committees—but age indicates no lack of vigor, enterprise or initiative. This committee was, not too many years ago, somewhat dormant; but in recent years it has been literally "born again" and has become an active and aggressive group. This year the Farm Loan Clinic at the Chicago Conference emphasized the continuing interest which so many of our member institutions have in farm mortgages and how eager they are to get together to explore their problems. This year's committee deserves our thanks for rendering a constructive and beneficial service in this basic area of the mortgage business.

While some of our committees, because of the nature of their assignments, do their work rather quietly, the work of other groups is right out in front for all to see. Such a group is our

Clinic Committee, headed by Walter C. Nelson of Minneapolis. Few if any national trade groups have as many regional meetings as MBA and the fact that we have so many is an important reason for our growth. Our calendar at the beginning of the year listed no less than 15 major events of which one of the basic divisions was our regional Clinic program. Conferences were held in New York and Chicago and Clinics in New Orleans, Phoenix and Miami Beach reflecting a good geographical distribution to serve as many members as possible. Attendance was at an all-time high, the meetings were well timed and—what is most important—the results were good, good primarily because members freely expressed their satisfaction from the benefits received. The strength of our Association will always rest, to an important degree, in these opportunities provided for members to get together to discuss mutual problems. Having seen them all in operation this year, I believe our Clinics and Conferences were highly successful and represented an important advantage of Association membership.

J. F. Austin, Jr.

PRESIDENT

Let's Start

LIKE a priceless heirloom thoughtlessly stowed away in the attic by an unappreciative generation, the FHA lending program is today being re-discovered by many in the mortgage banking industry.

It needs some dusting off, some repairs, and perhaps some modernization, but FHA is still the fine instrument that gave mortgage banking its stature in the nation's financial structure.

Robert H. Wilson

Ever since 1950, up until recent months, FHA has been largely neglected in favor of the VA program. Only within the past year, when VA began to die slowly, strangled by its low fixed interest rate and the high discounts demanded of sellers, did mortgage bankers begin to look seriously again at FHA. At that, many have been futilely hoping conventional loans would be the successor to VA loans.

A review of percentage figures of the various types of mortgage loans over a twenty-two year period indicates the rise and decline of FHA financing:

Year	Total Mortgage Debt Outstanding (in billions)	Percentage Distribution of Mortgage Debt on 1-4 Family Non-Farm Homes		
		Conventional	FHA	VA
1935	$15.4	99.4%	.6%	
1940	17.4	86.8	13.2	
1945	18.6	76.9	22.	1.1%
1950	45.2	58.2	19.	22.8
1955	88.5	56.	16.2	27.8
*1956	99.2	55.9	15.6	28.5

*Preliminary Figures
Source: Housing and Home Finance Agency

The post-war years have seen the mortgage market split between the savings and loan associations with their quick and convenient, but relatively high-cost conventional mortgages, and the mortgage bankers offering for the most part the low-cost, but more restricted VA loans. Many mortgage firms let potential FHA business go to the savings and loans because it was so much more profitable to handle large volume VA financing. Mortgage bankers got the idea that FHAs could not compete with the savings and loans and, in fact, until the FHA began making some changes this year, there was little, if any, advantage in going FHA.

Now, however, that the official end of the VA program is in sight, we have to make the basic decision whether we can best compete with the savings and loans by relying on conventional financing, in which they have gained supremacy, or by developing our FHA techniques.

Because of the investors' demands for higher yields, the immediate tendency is to try to develop as much conventional business as possible. But to get an investor 5½ per cent and 5¾ per cent with a maximum loan of 66⅔ per cent of appraised value is almost an impossibility, when you are competing with savings and loans, who are making loans of 80 per cent of sales price (which may be 85 per cent to 90 per cent of the insurance company's conservative appraised value), and whose underwriting, credit and legal requirements are not nearly as severe as those required by most insurance company investors.

The great volume of home buyers want and demand low down payments and big mortgages, not only because the public is longer on income than on ready cash, but also because the house with a sizeable existing mortgage is more liquid and salable in this day of mobile populations. The conventional mortgage structure cannot supply this type of financing in the quantity that is demanded.

Under present conditions, we are kidding ourselves and our investors if we think the mortgagor on a 66⅔ per cent conventional mortgage has a one-third investment in his property. Rather than pay a high discount on a VA loan, many a builder or seller has been arranging conventional financing and taking back a second mortgage for the down payment, although this fact is not disclosed at the time the first mortgage is signed. Several weeks after the signing, the second mortgage is often recorded.

At best, second mortgages and contract selling are roundabout methods, and they make the first mortgage somewhat less desirable as an investment security.

By revising its MPR's and lowering its down payments, FHA is putting itself into condition so that the FHA loan will become once again the most attractive method of home financing to borrower and lender alike. More remains to be done, but the real burden now rests upon the mortgage bankers to up-date their methods and to assist and cooperate with FHA officials, so that the full potential of FHA may be realized.

What should we as mortgage bankers be doing?

First, we and the investors we represent might well take a leaf from the savings and loan book in streamlining our lending operations. We need an arrangement whereby we have authority to commit investors' funds, within quota limitations, on the basis of agreed upon standards and our own judgment. Mortgage bankers are operating under an archaic system of needless delays that hamper us in competing with autonomous local lenders. When we have so many bottlenecks in our own system of sub-

t Selling FHA

mittals and commitments, we have little right to complain of delays in the FHA office!

Second, starting now, we should advise our builders and real estate brokers to use fewer VAs and more FHAs. In this way, we can help the local FHA offices get higher quotas from Washington for the periods ahead. Decisions on how much insuring FHA may undertake in a given region are based upon how much demonstrated demand exists. If we arrive at the conclusion that FHA is going to be our future bread and butter, then we ought to start giving it our fullest support right now.

Third, we should be educating builders and brokers with whom we do business in the proper use of FHA. We can't sell them on FHA unless they are first informed on it. Some builders and brokers have been scared off by FHA because they have heard about or experienced red tape, complications, and delays in the past.

In our company, we have countered these impressions and prejudices through a series of evening meetings on FHA financing in our metropolitan branch office at Des Plaines, Ill. We have had as many as 125 builders or brokers in attendance at one of these sessions.

At these meetings, we have invited FHA officials from the Chicago office to participate in a panel with our own specialists. Visual aids in the form of polaroid camera slides we make ourselves are used to illustrate the various FHA forms, as well as examples of properties financed recently. A question and answer period follows talks by the panel members.

Getting the two sides together face to face in itself helps dispel any lack of confidence. The builders and brokers come to know the FHA men as intelligent human beings with a wealth of useful know-how, who are in close touch with and vitally interested in solving home financing problems. They learn how our organization

By **ROBERT H. WILSON**

President, Percy Wilson Mortgage and Finance Corporation, Chicago

*"It needs some dusting off, some repairs, and perhaps some modernization but FHA is still the fine instrument that gave mortgage banking its stature in the nation's financial structure," says Mr. Wilson. We ought to be selling FHA, he says. How? "*FIRST, *we and the investors we represent might well take a leaf from the savings and loan book in streamlining our lending operations. We need an arrangement whereby we have authority to commit investor's funds, within quota limitations, on the basis of agreed upon standards and our own judgment. Mortgage bankers are operating under an archaic system of needless delays that hamper us in competing with autonomous local lenders.*

"SECOND, *we should advise our builders and real estate brokers to use fewer VAs and more FHAs. In this way, we can help the local FHA offices get higher quotas from Washington for the periods ahead. Decisions on how much insurancing FHA may undertake in a given region are based upon how much demonstrated demand exists.*

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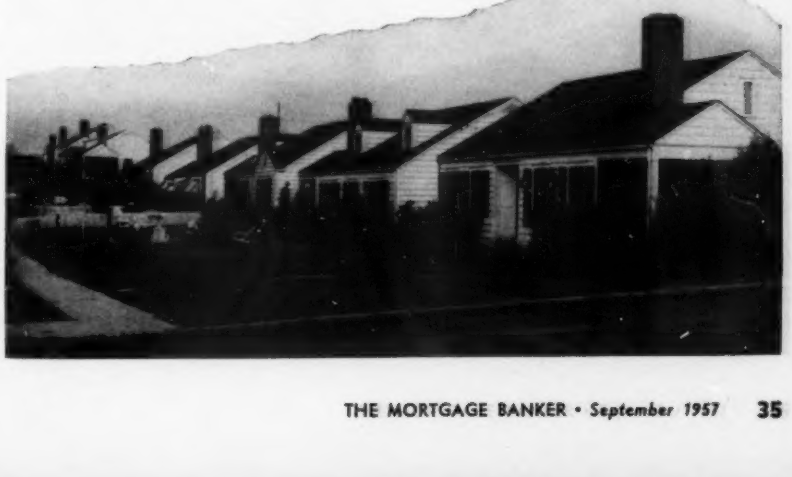

is trained in facilitating FHA loans, and the part they themselves can play in avoiding delay or disappointment through advance planning and consultation.

This spring, immediately following announcement of the new MPR's, we had a session where builders heard the first discussion of the subject in the Chicago area. We also had a session on using FHA conditional commitments to promote trade-ins.

has the right spirit, that steps are being taken to modernize the program and make it more applicable to today's conditions.

Here are a few steps FHA should take, to my mind, in order to fill the vacuum which the demise of VA loans will create:

» Give faster service by streamlining processing. To get a commitment from FHA generally takes two weeks, sometimes three. The savings and

The author's firm is making an aggressive effort to sell FHA. This is one of the sessions the firm has been holding for just that purpose. A group of real estate men are listening to various aspects of the FHA program being explained. Visual aids, in the form of slides, are used to illustrate the various FHA forms. Below, the panel group conducting a session. Shown, left to right, Albert Gundelach, Wilson field representative; James Flanigan, chief of operations of FHA Chicago office; Mr. Wilson; Theodore M. Wilson, vice president; Garrett Foy, field representative; and Roland Erickson, Des Plaines office manager.

This fall, we may broaden this type of activity to include "road shows" before meetings of suburban real estate boards and local builder groups.

As a result of these meetings, our builders and brokers know that FHA

loans can give a commitment in two to three days, or in some cases, the same day.

FHA could take some ideas from the savings and loans. Fundamentally, the FHA should let more responsibility fall upon the mortgage

correspondents, especially those with almost twenty-five years of experience in FHA financing. The correspondents could do more of the underwriting than they are now permitted to do. They have on their staffs trained personnel who could relieve the FHA office of much detail and expedite service to customers.

Processing today is a far cry from what it was in 1934 when FHA began. Then, the volume was small, and no one had acquired any experience. Everything had to be spelled out, and a large amount of FHA staff work was a necessity.

Today, with great numbers of mortgage firm personnel fully qualified to exercise sound judgment, FHA offices are trying to handle a much heavier volume of business with the same restrictive procedures, by and large, designed for conditions of 1934. They have failed to keep pace with change and growth.

Approved mortgagees, operating under charters that could be revoked at any time should spot checks reveal irregularities, could be trusted to make appraisals and obtain the basic data which FHA now has to get for itself. They could also give credit approvals under established standards.

If this much liberalization is impossible, the least FHA could do would be to appraise property and credit simultaneously. At present, FHA waits for appraisal of property to be completed before giving credit approval. There is no reason why quick credit approval of the applicant could not be given, subject to approval of the property. On marginal cases, FHA could indicate that the amount of the loan might be cut down.

Such information promptly received would have a good psychological effect on applicants, and would enable the mortgage banker to begin seeking other financing immediately, if it appeared FHA approval would be denied or qualified.

The alternative to letting correspondents do more of the work is for FHA to employ enough staff to do the jobs itself.

» Even if correspondents were to be given more responsibility, with the increased volume expected under the new program, FHA will certainly have to add staff. The staff has been cut down every year, until operations

have been hampered. The build-up should start immediately.

>> Although MPRs have been considerably improved by the latest revisions, in many ways they are still far more technical than is necessary for residential building. MPRs arrive in loose leaf sheet form, three or four pages of fine print at a time. No one in a busy office has time to read, study, and interpret such regulations, and even given the time, reading and interpretation are difficult.

Besides being cumbersome and difficult, the MPRs are not catalogued adequately, so that it is next to impossible to find the sections applicable in special situations.

In content, there remains much to be desired by way of flexibility, even in the revised MPRs. Not enough recognition is given to modern techniques and economies, made possible by prefabrication and improvements in building materials. As top FHA officials themselves seem to realize, the FHA is now the most conservative force in the building picture, and has lost its earlier liberalizing influence.

>> Valuations could be more realistic. Selling prices, particularly of existing properties, are now very close to actual value, from the long-term investor's point of view. However, more needed than a revision in over-all valuation is a separate valuation for land and buildings. In many sections of the country, FHA insists upon a complete package of house and lot. Interchanges cannot be made except with extra expense and delay. This penalizes the builder. If he files a panel on a subdivision, he is practically locked in with certain models that must go on certain lots. He can't let the buyer choose his house and lot independently. There seems no reason why more flexibility in this regard could not be granted, with proper safeguard against the "all-alike" development.

Processing time on any prefabricated home project could be cut in half, if the FHA would give blanket approval to factory model homes, which are essentially the same wherever they may be erected. It should be necessary to re-check specifications only on such work as foundations, footings, drainage—items not supplied in the package.

>> FHA should allow higher maximum loans in localities recognized as high cost building areas. It should be possible to go above $20,000 on an FHA loan in the Chicago area, and up to $35,000 on houses in the higher priced brackets ($50,000 to $60,000).

	Sales Price	FHA Mortgage	Down Payment
Single family, ranch type home, 2 to 3 bedrooms, less than 5 years old.	$12,700	$11,100	$1,600
	15,600	13,100	2,500
	16,500	13,500	3,000
	16,850	13,800	3,050
	19,500	16,000	3,500
	25,000	19,400	5,600
Single family, 2-story or 1½ story, 10 to 15 years old.	18,500	14,000	4,500
	19,800	16,200	3,600
	19,900	15,700	4,200
Single family, city water and septic tank.	15,600	12,000	3,600
Single family, well and septic tank.	21,700	15,200	6,500
Duplex (½)	14,500	11,500	3,000
	14,750	11,200	3,550

It should not be inferred, because of these criticisms, that FHA is failing in its basic purpose. In fact, even under present handicaps, taking everything into consideration, FHA has more to offer than conventional financing. In recent months, our firm has been making some very favorable 25-year FHA loans, as the examples on this page indicate.

FHA officials, I believe, are doing more than their part to bring about practical modifications in procedures. But they need our understanding and cooperation to make the new program well received among builders, brokers, and investors.

All of us should stop thinking of FHA as "another government agency" and recognize it as an extremely useful device for our benefit, and for which we have a responsibility.

MORE BUSINESS AHEAD

The country is growing all right, but the growth is not uniform. Some states, as is well known, have experienced unusual increases in population and the Census Bureau projections seem to indicate that this trend will continue. What is most significant are the projections for a far different distribution of our people in the various age groups.

By A. ROSS ECKLER
Deputy Director, Bureau of the Census

MOST people have become so accustomed to the projections of rapid population growth that they forget how much the situation has changed in a short 10 years.

It was only a little over nine years ago when the Bureau of the Census issued a publication which it optimistically called "Forecasts of the Population of the United States — 1945-1975." The forecasts were prepared by one of the nation's best known demographers, whose views regarding the outlook were shared by most, if not all, of the leading members of his profession. The medium forecast presented in this report indicated that the total population would increase to about 166 million in 1975. The highest forecasts, regarded as unlikely, were that the 1975 population might be as large as 185 million. The author pointed out the possibility that the population would reach its maximum size by about 1970, and then decline, reaching a level of only 151 million in 1975.

These figures are cited not to embarrass those in the field of demography, but partly as a matter of historical interest and partly to give a warning against uncritical acceptance of the uniformly optimistic projections which we see featured so generally today. I believe it is safe to say that demographers are about as well united on the projections of large population growth as they were 10 and 20 years ago on the projections of declining rates of growth followed by a slow decline in actual numbers. We have certainly learned that demographic trends can have sharp changes in direction, and that it is important to allow for the possibility of another change in direction. The widespread dissemination of knowledge regarding methods of limiting population is a significant factor to bear in mind as one studies population projections.

The past 10 years have been notable for many changes, but those in the field of demography have been among the most dramatic and most widely discussed.

We are now in our 11th year of high birth rates, and demographers have ceased to explain the high levels as a temporary phenomenon to be explained by the effects of the war and making up for depression losses. Repeatedly, sets of projections have become obsolete because of the fact that the birth rate remained so high that the actual population was appreciably above the highest of the series of projections.

There is little doubt that confidence in the prospects for increased markets for most kinds of consumer goods has been an important element in the substantial expenditures of business for new plant and equipment in the past few years.

We believe that it is a useful function of the Bureau of the Census to prepare projections of the population based upon combinations of several different assumptions as to future birth rates, death rates, and net immigration. We call these figures projections rather than forecasts, in order to emphasize the fact that they result mathematically from applying certain assumptions. They do not take into account sharp changes that might result from developments like the outbreak of war or a prolonged period of substantial unemployment.

Our projections for 1965 range from 186 million to 193 million, increases of 12 per cent to 17 per cent respectively over 1955. By far the most important and most uncertain element in these projections is the course of the birth rate in the next eight years. A considerable increase took place between 1945 and 1947, after which the changes have been relatively small. Most population experts have been chastened by the abrupt change in the Forties and would hesitate to rule out the possibility of another change which would greatly affect the projections we have made. The concentration of attention on birth rates should not be taken to imply that there is no possibility of significant changes in death rates and in the amount of net immigration. It is clear, however, that the effect of variations in these components is likely to be much smaller than the effect of changes in the birth rates.

The present rate of natural increase (i.e., excess of birth rates over death rates) in this country, although extremely large by comparison with that in the '30s and early '40s, is not particularly high when compared with rates of increase in the 19th century.

Precise historical comparisons with the 19th century experience are not possible since birth and death figures are not available for analysis of the components of population change in that period. It appears, however, that the present rates of natural increase are about as high as any experienced since 1900. During the 19th century, a considerable part of our rapid growth was due to the large flow of immigrants from European countries. After allowance is made for this element, it seems likely that the natural increase was still somewhat higher than the current rate, but not sharply higher.

When our current rates of population growth (including net immigration) are compared with those of other countries for which comparable figures are available, we find that we are currently growing at a more rapid rate than most of the highly industrialized countries of the world, but at a lower rate than most of the countries that are commonly referred to as "underdeveloped."

Our annual growth rate of about 1⅔ per cent in the last six years is much above the rates for most countries in Northern and Western Europe. Our rate also exceeds that for the satellite countries in Eastern Europe, except for Poland and Albania. On the basis of available data, it is likely that the rate of increase for the USSR is about the same as our own. In general, the rates of growth are considerably higher than ours in Central and South American countries and in a great many countries in Asia and Africa.

Thus, growth rates of 2 per cent or more may be noted for such countries as Brazil, Ceylon, Turkey, and Egypt. The growth rates for three of the British Dominions, Canada, Australia, and New Zealand, are also over 2 per cent, but the influence of immigration is considerably greater in those countries than in the United States.

It is important to bear in mind that all the population projections which have been prepared show widely varying rates of change for different age groups of the population. To be sure, the dependability of the projections varies greatly from one age group to another according to whether we are projecting the expected number of births in future years, or simply projecting the survivors of a group already born.

The rapid growth for the groups

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between 10 and 20 years is explained by the sharp increase in birth rates that took place after 1945. It is obvious that companies concentrating on goods sold largely to particular age groups will be well advised to give careful attention to the prospective changes in the different groups. On the one hand, there are in prospect extremely sharp increases in the younger school-age groups, these changes creating, of course, the need for large school construction programs in most communities. On the other hand, there is a 1955-65 decline in numbers for the 25-34 year group. In the older age classes moderate increases are indicated in the next decade. The effects of the higher birth rate will not be reflected in these age groups, until the cohort born in the 1945-54 period reaches these later ages. In the age groups above 65, relatively large percentage increases will take place between 1955 and 1965.

When we turn to population projections for States, the complications increase, since assumptions regarding internal migration are required in addition to those for births, deaths, and net immigration. The Census Bureau has recently prepared four new sets of population projections for states to 1965. Reflecting assumptions that the extensive population shifts in recent years will continue, these projections show quite wide differences in rates of change over the decade. Rapidly growing states like California and Florida show increases of one-fourth to two-fifths above the 1955 level. At the other extreme, the various projections for Oklahoma and Arkansas show a population decline as high as 10 per cent to 15 per cent. As examples of intermediate changes, the projections for New York are between 10 per cent to 16 per cent higher than the 1955 level, and those for Massachusetts from 7 per cent to 9 per cent higher. Clearly, if we are to judge by the record of interstate migration in past years, the population prospects vary greatly from state to state.

Labor force projections have the added complication of requiring assumptions regarding the rates at which various population groups will participate in the labor force. Most of us are familiar with the long-run tendencies for labor force participation rates to decline in the case of teenagers and of men near retirement ages. On the other hand, for many years the percentage of women in the labor force has been increasing. Recently there have been particularly sharp increases in the percentages of women 35 years and older who are members of the labor force, since high level employment has furnished attractive opportunities to many who, under other conditions, would remain at home. Low birth rates in the '30s and high rates in the post-war years have limited the supply of younger workers, making it easier for women past 35 to get jobs.

In most of the projections which we have made for the year 1965, the percentage for males 14 and over in the labor force decreases a little and the percentage of females increases, the increase for the latter being particularly sharp for those 35 years old and over. Our projections suggest that in the next decade the number of women added to the labor force will be about as great as the number of men added, roughly five million each. This will represent an important change in the composition of the labor force.

The situation may be unfavorable, however, in certain age-sex groups. For example, if males from 25 to 34 years old are a prime source of young executives to train for heavier responsibilities in later years, it is worth noting that the number in this class will decrease until about 1965.

Projections of the future numbers of households or families are of particular interest to builders and to others producing goods that are sold to families rather than to individuals. Such projections depend upon assumptions regarding total population growth, and attention must also be given to changes in marriage rates and in the average age at first marriage. From 1955 to 1965 the range of increase in number of households, according to our projections, is from 12 per cent to 18 per cent or about the same as the projected increase in the number of persons over the same period.

Condensed from Mr. Eckler's remarks at the Seminar on Population and Income, Harvard Business School Association Alumni Day.

THE EXCELLENT ECONOMIC OUTLOOK—

IF WE CAN AVOID MORE INFLATION

By **WILLIAM F. BUTLER**

Vice President, Chase Manhattan Bank, New York

THE question of whether we should look forward to more inflation—to a persistent upward trend in prices in the years ahead—provides a common meeting ground for economists and appraisers. I suppose inflation complicates the lives of the practitioners of both arts about equally, though in a different manner.

Are we in for persistent inflation? In other words, will the price level rise 1 per cent or 2 per cent or 3 per cent on the average in the years ahead?

It has been argued that a slow and gradual rise in prices may be inevitable in what has been termed our "laboristic economy." This leads to a consideration of two other questions:

What would happen if we should continue to have rising prices?

Why have we had inflation in the recent past?

All this will bring us to the final question of what we can do about inflation.

Let's consider first the question of whether prices will continue to rise over, say, the next decade. Those who argue that the trend of prices will be upwards generally rest their case on what is called the "cost push." By this they mean that wage rates will be pushed up more rapidly than output per man-hour of work. Thus, the labor cost per unit of output will move steadily higher, and prices will be pushed up.

At first glance, this appears to be only elemental common sense. The public prints abound with news reports of wage increases gained through labor management negotiations. Anyone who has tried recently to employ a college graduate in any field knows all about the rise in wages and salaries. Almost every business now faces rising labor costs.

However, there are two things wrong with this argument. One is that it ignores the lessons of the past. We have always had ups and downs in our economy, with upward pressure on prices and wages in good times, followed by reserve pressures. While I believe we know how to moderate the swings of the business cycle by adopting appropriate policies, I do not believe we have eliminated the cycle. Thus, experience would suggest that periods of inflation will be followed by periods when prices are stable or declining.

A second, and more fundamental, point is that I do not believe our economy can hope to prosper and continue to advance unless we can contain inflationary pressures. In fact, it seems to me that inflation is the one thing on the domestic economic front that could upset our prosperity.

What, for example, would be involved in even a moderate upward trend in prices of, say 1½ per cent per year? That doesn't sound like anything very formidable. Yet it would cut the value of the dollar almost 50 per cent in 25 years. Think of what that would do to the incentives to save, to invest in insurance, or mortgages or any type of bonds. It seems clear that there would be a rush to buy common stocks and to speculate in commodities or real estate. Businessmen could pile up inventories and expand their facilities in the full knowledge that inflation would bail them out.

Consequently, it seems to me that a little bit of inflation must inevitably snowball into a very great deal of inflation. In the process we would have the sort of a boom that has always led to a bust. The boom can take a number of forms—in the distant past

it was the South Sea Bubble and the Tulip Boom in Holland—more presently it was the Florida land boom and then the great stock market boom in the late 1920's. Yet the consequences of an inflationary boom of any variety have always been the same—they have led to an extended period of difficult adjustments. The term "difficult adjustments" is, of course, polite jargon which means unemployment, depressed earnings and general economic stagnation.

While I think that it is virtually inconceivable that we could have the sort of runaway inflation that plagued Germany after World War I, I would not rule it out if we should adopt the inflationary route.

As an economist, I consider inflation as comparable only to the black plague. If we try to live with it, I believe it will destroy us.

Having displayed my credentials as an enemy of inflation, let me add that I believe we can bring inflation under control, and thus avoid the dire consequences I have just set forth. One reason for this belief is that we had a period of four years—from the middle of 1952 to the middle of 1956—during which prices were stable while the nation enjoyed record prosperity. This was also a period when wage rates in manufacturing rose almost one-fifth. Thus, we have recently gone through a four-year period during which we enjoyed stable prosperity and growth. It seems to me that this shows that we can have prosperity without inflation.

Moreover, there are a number of impressive reasons why our economy should continue to move ahead in the next few decades if we can avoid inflation. Many of the reasons have been cited innumerable times. Yet I think it is still worthwhile to make the point that the basic factors of underlying strength are still operative:

» Our population is growing, so that basic consumer demand should rise. While total population is growing, the increase in people of working age is at low ebb because of the low birth rate in the 1930's. Thus, there is a premium on capital investment that raises output per person.

» The benefits of our prosperity are being broadly shared—the purchasing power of the middle income market has grown much more rapidly than total income. The middle income market consists of families with income of $4,000 to $10,000 a year.

» Business is spending vast sums on research—over $7 billion this year—to develop and market new products.

» Government has assumed the responsibility for moderating business ups and downs. And, with this year's Federal tax bill topping $80 billion, the Federal Government has the wherewithal to make a very considerable contribution towards moderating a business downturn by cutting taxes.

This is a very brief outline of the reasons for my belief that our nation faces a truly amazing economic outlook if—and this is a big IF—we can avoid further inflation, and the boom-and-bust pattern it would generate.

Why have we had inflation in the past year? First, we must find out why we have had a rise of 4 per cent in consumer prices in the past year.

First, it seems to me that the dominate economic feature of the past two years is the tremendous rise in business investment in new plant and equipment. In two years these expenditures have gone up almost 50 per cent.

Second, this attempt to expand business investment in face of a high level of government expenditures and a high level of consumer expenditures has placed great pressure on our economy. We've been trying to do too much, too quickly. No single factor qualifies as the villain in this process, even though business investment has shown the greatest rise. It is, rather, the combination of strong demand in all major fields that has kept our economy under pressure.

"The record of the past few years, while far from perfect, provides the basis for cautious optimism. Government policies of restraint through a cash budget surplus and tight money have been working in the right direction. The demands of pressure groups for special treatment have not led to any significant erosion in policies of restraint. The public has reacted to rising prices with caution. Instead of paying higher prices, many people have increased their savings. Savings deposits have increased 7 per cent in the past year. It would be nice if someone could invent a dramatic and eye-catching new remedy for inflation. Alas, this is impossible. All that can be offered is the same old prosaic measures—a government surplus, tight money, increased savings. What is wanted is not new measures but more vigorous use of the standard remedies."

In this situation of strong demand, wage rates and other costs have gone up. Thus, businesses have raised prices to maintain profit margins, a perfectly normal reaction. Price increases have been much larger in construction and machinery than in consumer lines, reflecting the greater pressure of demand in these areas. Prices of capital goods have gone up 15-20 per cent in two years as against an increase of about 4 per cent in prices in the consumer area. It would appear that this widening gap between the costs of things to produce consumer goods and what consumer goods can be sold for cannot last indefinitely.

The government authorities have been making a valiant effort to contain inflationary forces. Despite all the talk about government spending and inflation, the Federal Government has been running a surplus. In

the past year the government has taken in from taxes $3½ billion more cash than it has spent. That's anti-inflationary since it siphons cash out of the private economy.

In an inflationary situation everybody is trying to get hold of more money to spend. Consumers are trying to borrow to help finance purchases of new cars, appliances and houses. Businesses are trying to borrow more to finance inventories and new plants and equipment. And state and local governments are borrowing more to pay for schools, roads and other public works.

If this borrowing can be financed out of current savings, then it should not be inflationary. The people who save cut down their buying enough to offset the increased purchases by those who borrow. The trouble is that the demand for credit in the past two years has far outrun the nation's savings. In this situation the creation of more credit will merely bid up prices. It cannot add to the supply of goods since the economy is operating at capacity. But it does add to the supply of money. So prices are bid up.

The objective of tight money is to keep the increase in credit in line with the nation's savings. If pursued vigorously enough, a tight money policy can bring an inflationary rise in prices to a halt. This is true even if the main source of inflationary pressure is a rapid rise in wages that produces a "cost push." By holding down demand through keeping money tight, the authorities can make it unprofitable for employers to go on paying higher wages.

At this juncture, one might well ask: "If this is so, why have we had inflation in the past two years?" I think the answer is that we as a nation have not been willing to pursue a policy of credit restraint with sufficient vigor. We have been worried that tight credit might upset our prosperity and lead to unemployment.

Nevertheless, it seems to me that tight money is beginning to work. The rise in wholesale prices has been checked—they actually declined slightly in May. While wage rates are still going up, it appears that productivity—output per man-hour—is rising at least as rapidly. Thus I am confident that we shall soon achieve stability in prices. And we shall do so in a condition of general prosperity and low unemployment.

Well, what of the longer-term outlook? Even if we succeed in bringing inflation under control for the moment, won't it break out again?

I conceive this to be the greatest threat to our continued prosperity and growth. Unless we are willing to exercise restraint in times of prosperity, I believe we can look forward to periodic outbreaks of inflation. These will—sooner or later, but inevitably—undermine our prosperity and bring our growth to a halt.

However, it seems to me that the record of the past few years, while far from perfect, provides the basis for cautious optimism. Government policies of restraint through a cash budget surplus and tight money have been working in the right direction. The demands of pressure groups for special treatment have not led to any significant erosion in policies of restraint. Moreover, the public has reacted to rising prices with caution. Instead of paying higher prices, many people have increased their savings. Savings deposits have increased 7 per cent in the past year.

It would be nice if someone could invent a dramatic and eye-catching new remedy for inflation. Alas, this is impossible. All that can be offered is the same old prosaic measures—a government surplus, tight money, increased savings. What is wanted is not new measures but more vigorous use of the standard remedies.

Condensed from address before National Conference of the American Society of Appraisers.

The Attributes of a

FOR the second consecutive year, the subject of The Attributes of a Mortgage Banking Executive has been a part of the School of Mortgage Banking curriculum. It is a rather new subject for our School but it is an old and increasingly important subject for all industry, and there is a growing belief that we will never train enough executives to handle our expanding economy. In the mortgage business, practically all of us have grown from a small, family-owned business where investors and borrowers alike depended upon some individual who could be trusted to take proper care of their affairs. Now even we have expanded until we must depend upon an organization—and we have the added problem of retaining in our business more of the "personal attention" factors than most executives are called upon to face.

I wish I could give you a list of attributes which would guarantee your business success but I'm afraid I can't because, being human, successful executives portray their leadership in different ways and attain success in their own peculiar fashion. There are, however, certain fundamental attributes which apply to all types of business, a few of which are necessary to a mortgage banker. I shall try to explain these to you and to indicate which ones will lead to a happy as well as a successful business career.

It is said at General Motors, "A good executive is one who goes around with a worried look upon the faces of his associates." Do you like this thought? It is said of Harlow Curtice, President of General Motors —"He is violently at war with complacency, and, in effect, runs his power house of a company with all the urgency of some desperately worried embattled executive who isn't sure where his next dollar is coming from, whose competitors are breathing fire in his face, and who is in imminent danger at the slightest slackening or oversight of seeing his customers desert him in droves." I must admit that Curtice has been a great executive, but if this quotation is not horribly exaggerated, I submit that Mr. Curtice has missed his goal in life and that both he and his associates have developed a miserable business career and a very unhappy way of life.

What, then, are the attributes?

I like an executive who worries—in fact, I don't believe that you can be one without a great deal of worry. But you must learn the purpose of worry. If properly understood, it can lead us, stimulate us to better attainments, and such understanding will enable us to properly control worry. We must learn to face the cause of our worries courageously—we must space it and time it and learn not to worry over those things we can't change or cure. This is a difficult assignment, as I know from personal experience; but through practice and habit we can attain a large measure of control. If we don't, worry becomes a disease and science tells us that an overwhelming number of our ills are caused by worry. In 1933, my company had received some public acclaim for fair dealing during our depressed era. Many of our competitors had folded and we were at least alive. We felt somewhat righteous, egotistical and complacent until one of our large institutional investors informed us that they were canceling their contract. It was a hard, staggering blow, coming at a time when we could ill afford to lose any business. If I say that I worried, it is a mild description of my state of mind. After a while, however, we looked at ourselves more critically and saw weaknesses in our organization which were not apparent before. We made corrections and streamlined our organization so that when business started up again we were ready for it, we expanded with it and gave better service to both borrowers and investors. Looking back at it now, I can see that this blow, the worries that came with it, and the corrective measures, were the best things that ever happened to us.

Now, every executive must possess the qualities of leadership—as a minimum, he must command the respect, the admiration, even the affection of his associates. Our problem is to find out how we achieve these attributes. Certainly we must conduct ourselves with a high code of personal honor —and we must practice the Golden Rule. We need a high order of intelligence and I find that scholastic achievements are important. An executive must be a man of good judgment; and no man's judgment is ever better than the facts which are available to him when he makes that decision. But I do believe that an understanding of people is even more important—the kind of understanding which is learned in games and all other kinds of group activities.

These are rather general statements. I hope to give you some rather practical suggestions for the development of qualities which will give to you the respect and admiration of your associates.

If I had an opportunity to go back to school or college, it would do me more good in my business life to take a course in public speaking than any course I could think of. I know of nothing which more quickly develops all the attributes of leadership and the admiration of all people, if well

a Mortgage Banking Executive

Back in June at the School of Mortgage Banking at Northwestern, Mr. Dovenmuehle addressed the group of young executives on The Attributes of a Mortgage Banking Executive. The title probably might better read The Attributes of a Good Mortgage Banking Executive. The message is an important one, so important that it was the consensus of those who heard it at the time that it should have far greater circulation than it received at the School. One of the significant things about it is that while originally intended for the young executives enrolled in the School, its appeal is for everyone at the executive level in a mortgage banking firm—especially those who occupy the top post.

By **GEORGE H. DOVENMUEHLE**

President, Dovenmuehle, Inc., Chicago

done. Remember, too, that most selling is accomplished through the spoken word and all salesmanship is the art of telling the truth attractively. I recommend that you learn public speaking, knowing full well from personal experience that most of you won't achieve any degree of success without much personal suffering and hard work. It is never easy. A few years ago I asked Clarence Randall, then president of Inland Steel and one of the ten best speakers in the United States, to speak at an MBA convention. He always speaks without notes and does it so fluently, logically and, apparently, extemporaneously. But he turned me down because his directors had given him so many assignments that he had no opportunity for outside activities. I remonstrated and told him that we would give him any subject he wanted, and mentioned that, since he spoke so easily that it really wouldn't be a burden for him. He gave me a rather withering glance and told me that I ought to know better. He added that he never made a speech without staying up half the night practicing before mirrors. So, I am not advocating an easy life and I still recommend that you learn public speaking.

I urge you to engage in outside activities. Every leader must assume civic duties, take part in charitable organizations and engage in trade activities. These activities will gain the respect of your associates and, in addition, the public will have a much higher regard for your organization. If you perform your civic duties well, people will believe that you must have a competent organization which does business on a high moral plane. It will increase your business. It will do so, however, only if you do this extracurricular work without any thought of personal gain. If you do this work hoping for some possible reward, people will sense your purpose and the rewards will go to someone else. Did you ever stop to think that a great deal of your business comes from the recommendations of other mortgage men? Quite often, I have been able to tell a life insurance investor that Joe Blow in Extra City was a fine mortgage man. I had learned to know him in trade association work and I had seen him complete his tasks efficiently and with good judgment. Several Joe Blows are now acting as correspondents for satisfied investors. This year one of the nation's largest builders came into my office and handed us all his business because of the recommendation of several mortgage bankers. Now all I have to do is to find him some money.

You must learn to delegate responsibility with both authority and accountability. This is never easy and I think it is especially difficult in a personal business such as ours. Good judgment is required but no good organization can exist without it. I recall that in 1932 one large investor insisted that I personally make every decision for their guidance in our territory. It was flattering to me but devastating in its effect on our organization.

A good executive will develop his organization in depth—even at the risk of seeming somewhat extravagant or of having too many people for a job. You may accomplish your purpose in part by rotating jobs from the lowest to the highest. Urge your youngsters to solve some difficult problems and occasionally make use of their solutions even if you think they may be wrong. You must do your part to encourage ideas.

Criticism is a necessary evil—but, of course, never before others. You must learn that this is a part of teaching. Don't ever try to eliminate criticism but do everything you can to eliminate the fear of criticism. You must urge people to make decisions without that awful fear of making a mistake. Mistakes, you know, are the soil of progress. The right kind of criticism can build up a man's confidence—it will instill pride and loyalty. The wrong kind can destroy him. Above all, be able to criticize yourself. You only need a good batting average, so remember that you won't always need to be right. Admit it quickly, if you are wrong, and never bluff. Do your business with humility and compare, for example, the humility and the leadership displayed by Eisenhower with the lack of it shown by his immediate predecessor.

You in this class are a privileged group—undoubtedly, the leaders of our mortgage banking business in the near future. Plato, for example, would have placed you in the upper crust of his planned segregated society. And to help you maintain your humility I thought I would give you a definition of the upper crust: "The upper crust is simply a bunch of crumbs held together by their own dough."

I don't know any good executive who doesn't pay well and you must install a good pay system that works. Never permit your people to wonder about their pay. If a man is good, any delay in a pay increase ruins his morale; so, if possible, give it to him before he is obliged to ask for it. Your pay system must promote teamwork among your management group and it must reward individual effort. Try to devise pay incentives which will permit your people to participate in the profits and, in addition, see that each is rewarded in accordance with his contribution to that profit. Pensions have become almost a necessity.

Every executive, sooner or later, will become a "stinker" to some employees—it is a part of your job. You will have to criticize but as an antidote you must be sure to watch for opportunities to compliment. Nothing—absolutely nothing—is quite so rewarding or stimulating. It is rewarding to the company because it boosts morale and stimulates the individual to greater effort. But be careful. Every compliment must be sincere—you must watch for the occasion. Have any of you read a children's story called the "Magic Word?" It is a favorite of my grandchildren and I recommend it to you. In the story the mother is in the kitchen stirring the mixing bowl in order to bake a cake, and the heavenly aroma entices her small son. He asks her if he can't lick the bowl when she has placed the mixture in the oven. She agrees that he can do so if he will just say the magic word. So he tries the magic words such as "Abracadabra," "Hocus-Pocus," "Dominocus." His mother simply tells him that he hasn't said it. Finally, in exasperation, he says, "Mother, can't I *please* lick the bowl?" "Of course," she says, "you have just said the magic word." And I say to you that the use of "please" is far more important in dealing with your employees than in your relations with your superiors or your customers. And try to say "Thank You" when the job is done.

In making decisions, we really separate the men from the boys. There is a vast difference between prompt decisions based on adequate facts and the impulsive decision to clear the air. I think you know the type I want you to avoid—the character who could say, "Don't annoy me with the facts—my mind is made up." But habitual indecision not only interrupts the growth and progress of a business, it disrupts and destroys morale. If your people have made careful studies and recommendations, it is too frustrating if decisions are withheld. You must, of course, take sufficient time but don't be a sleeping beauty. Consult others—it is very important to make them a part of your team and two heads are better than one. But, if it is your responsi-

bility, accept it and don't pass the buck.

Now, I hope that you will permit me to indulge in a little business philosophy. I would like you to remember that we are living in a Christian society which has given to us our capitalistic free enterprise system that has developed a prosperity, a happiness and freedom never before seen on earth. It is a society in which each individual is sacred and the Government remains the servant of the people. You have in your office a ready-made audience and I ask you to sell this concept of society to your employees. Show clearly the contrast of communism or socialism which must lead inevitably to dictatorship.

Recently, Walter Paepcke, an old schoolmate of mine and now chairman of the Container Corporation—also the man who inspired the restoration of Aspen, Colorado—invited a group of very important business men to Aspen in order to discuss a philosophy of business. Among other things they, of course, reviewed the approach of Plato and Aristotle to the problems of business and society. I was amused, but not surprised, that these V. I. P. business men didn't remember that these philosophers had solutions to many problems which exist today. These men have simply been too busy to think of their goal or purpose in life. But they are thinking and planning now even if they hadn't done so before. Definitely, we are educating a higher order of business man today—and in spite of some very lurid characters, we have a higher order of dedicated public servant. Some day we may have honest union officials. All of them need to know their purpose in society and the function of business in that society.

You, too, must have a goal in your business and private life and that goal must be in harmony with our society. Remember that society permits us to engage in business in order to serve mankind. It urges us to make a profit, believing that this is the stimulant needed to make us serve society better. Making money is a very important result which may indicate how well we have achieved our goal. It is the carrot held before us. If we have served well, we business men are frequently rewarded with honors and other more important satisfactions. And society will say that we have achieved success.

Just one final word. Our society is a nation of families—don't become so immersed in your business responsibilities to overlook the opportunities and obligations to serve your family. Your family can do without many things, such as money, social position, big houses—but it needs you. No honors or rewards in business will ever compensate for a failure to acknowledge the much greater obligation which you owe your family.

THE STALLED REVOLUTION

(Continued from page 24)

mortgages are both social and political. A continuing contraction in the low-cost housing market can only provoke mounting political pressure for more direct government intervention in the housing industry. Today the nation has a housing inventory that includes six million nonfarm units of substandard quality (dilapidated, without inside baths).

Credit-easing action will most surely *not* solve the builder's problems: it can only give him a better chance to make his own contribution to their solution. If he exploits easier credit as one more lucky chance to avoid a direct fight against his own rising costs, he will cheat the market, the public, and ultimately himself. If he is responsible, the builder will see that easier credit helps produce houses at prices that can be paid in the low-income market sector.

An encouraging move in the industry would be to make trade-ins common practice. *House and Home* has, in fact, painted a glowing vision of what this practice can mean: "We cannot raise the American standard of housing by feeding cheap houses in at the bottom. We can raise the standard of housing only by building good houses and making trade-up work through trade-ins."

While this practice can never be a total substitute for production of new low-cost housing, its application makes some sense in a market of such great mobility as today's. At least 30 million Americans move each year, staying in one place an average of no more than six or seven years. Today there are 26 million owner-occupied homes, and if more owners started trading up this could start an historic and unprecedented expansion of the home-building industry. There are familiar difficulties—the haggling over evaluations of old property, the heavy interest rates and discounts demanded on mortgages on older homes. And over the past two or three years the prices of old houses have advanced very little, thus making it more difficult for their owners to realize enough to enable them to move on into bigger houses.

If the builder-as-marketer comes to

operate somewhat as a realtor, and the builder-as-producer does his part in cutting costs, then both he and the consumer might at least be better prepared to face the real trouble ahead. For the truth is that the building industry and market—for all their present pain—are soon to suffer sterner problems:

First: If home building starts acting like a growth industry again, it will be producing by the early 1960's half again as many houses a year. Where will the mortgage money come from?

The market for mortgages is severely restricted. The ownership of FHA mortgages is restricted by law to "qualified investors" with over $100,000 capital. As an instrument, the mortgage is not competitive on the money market. It is a cumbersome device: it comes in odd amounts, it requires bothersome bookkeeping, it demands legal fees and recording.

It is persuasively contended by some housing experts that there is no effective long-term way to supply the pool mortgage money except by much faster turnover of mortgages—i.e., shorter-term amortization at higher monthly rates. This argument, however, leaves most of the industry's economists and builders unconvinced. They note, first, that the effect of this would almost certainly be merely to increase each individual contribution to the mortgage pool while reducing drastically the number of people able to contribute. They note, second, that, from the consumer's point of view, higher down payments would mean less cash available for purchase of the things that have to go inside a home, hence a much greater dependence on consumer-credit terms—and these usually mean an effective interest rate of 12 per cent or better.

Easier to agree upon is the need to develop a new type of debt instrument that can broaden the mortgage market, today narrowed to little more than 2,000 substantial lenders. The fastest-growing pool of savings, the pension trusts, contributes practically nothing to mortgage needs. What seems called for is some modern counterpart to the old easy-to-handle mortgage certificate, once available in denominations from $100 to $500,000.

Second: What does the industry propose to do about the community facilities that must accompany the racing growth of population and home building?

This is probably the biggest problem before the industry—what some building experts call "the urban crisis." For the moment the crisis is being met in many communities by nothing more than systematic hostility to low-cost housing—by establishing the most wasteful conceivable building requirements simply to drive builders away.

The dollar dimensions of the problem are colossal. The facts about school and hospital requirements are familiar enough, but local roads, sewers, and water bring just as harsh demands. By Department of Commerce estimates, for example, water and sewer requirements for the next ten years will amount to $26 billion, but the current rate of actual expenditures by local governments is less than one-half that amount. And by 1965, when the "war babies" will bring the highest rate of family formation the nation has ever known, the whole matter will become more acute.

Third: Where will the land be found to build on?

The increase of some 80 million between 1950 and 1980 will not be nicely distributed over three million square miles: it will be concentrated in some 30,000 to 40,000 metropolitan square miles. Land prices in most such areas have quadrupled in the last five years.

On the level of partisan politics, it is probable that the home-building field promises, for the next decade, to be a battleground as bitterly fought over as any other area of domestic concern.

On the level of serious governmental responsibility, a few more constructive things may be hoped and called for.

A review of all U. S. fiscal and monetary policies, and probably nothing less, would help determine what is necessary for a prospering home-building industry. There has been no comprehensive study of these policies since the 1911 commission that paved the way for the Federal Reserve System.

Scarcely less important is the need for a national study of the basic facts and figures of the home-building industry. It doesn't matter whether this study is done by the government or by such private organizations as ACTION (American Council to Improve Our Neighborhoods). An appalling poverty of statistics clouds almost all discussion of the industry's problems. Debate on the most basic questions (such as the number of low-income families actually *seeking* to own homes) is usually a contest waged with tenuously supported guesses. As one building expert states: "The truth is that we just don't have the facts on the most critical questions—the industry today is flying blind."

With explosive political and social issues turning upon the building industry's fortune, there is need for a sense of responsibility on the part of builder and lender, home-owning citizenry, and government, from the local to the federal level. Their cooperative effort is vital to a sensible land policy and a healthy credit policy. No other industry touches so many people or is so dependent on action at all levels of government.

Inflation Bite Is a Big One

Inflation's bite on the American economy has increased steadily over the past decade and last year reached the staggering annual total of $83 billions.

That is how much more all the goods and services produced and consumed by the public, business and industry, and government cost in 1956 than if inflationary pressures had been curbed and prices held at the 1947 level; and there has as yet been no change in the trend this year.

This tremendous loss in aggregate purchasing power, which amounts to about a fifth of the nation's entire economic activity at current price levels, is implicit in figures compiled by the U. S. Department of Commerce on the gross national product and its trend and composition in recent years.

To keep its fingers on the nation's economic pulse, the Department of Commerce compiles two sets of figures on the gross national product. By far the more familiar of the two, and the one generally regarded as a key index to the country's economic progress, are the quarterly and annual figures summing up total production of goods and services at current market prices. These figures, of course, include price changes. But the Commerce Department also gets up a gross national product series in dollars of constant buying power, with 1947 as the base, to see what the economy is really accomplishing in terms of the actual volume of economic activity.

Here is how these two series stacked up in 1956:

In dollars of current buying power, gross national product added up to $414.7 billion last year, up $182.5 billion over 1947.

But in dollars of 1947 buying power, gross national product came to only $332 billion in 1956, or just about $100 billion above the 1947 total.

The difference between these two sets of figures is exactly $82.7 billion. That is how much the cumulative growth of inflation in the 1947-56 period was reflected in the economy last year.

This is a sobering reminder of the basic problem that faces the nation, and the growing size of the stakes involved in the Battle of Inflation. It re-emphasizes the need for action on the spending and other inflation-breeding fronts, with more saving by the people, more economy in Government (State and local as well as Federal), and more restraint on the part of industry and labor, essential to help hold the price line and prevent a further erosion of the dollar.

One of the ironic byproducts of the inflation trend is found in the Government sector, which takes nearly a *fifth* of all the goods and services produced in the economy. The Commerce Department figures show that the dollar which Government (Federal, State and local combined) collects in taxes and spends on goods and services has had one of the biggest losses in purchasing power since 1947 of all the principal sectors of the economy. The combined State and local dollar, in fact, has lost most of all in the period, nearly a third in purchasing power as compared with 1947, much of it due to the inflation of construction costs which bulk large in State and local budgets.

There has been a growing realization of the inflationary impact of excessive Government spending, even if budgets are in balance, in an economy straining at its resources of manpower and materials, as has been the case in this country in much of the recent period. The facts thus indicate that Government under current conditions not only contributes to inflation but is particularly hard hit by it.

The Commerce Department figures also give an insight into the fundamental importance of increasing productivity and high capital investment as brakes on inflation. This is clearly apparent in the area of personal consumption expenditures. The figures show that rising prices have tacked on only 10 per cent to the cost of consumer durable goods in the 1947-56 period, about half the average for the economy as a whole, and 12 per cent for non-durable goods. These two areas of economic activity have been major users of the people's savings for capital investment and expansion, and have among the best records for increasing productivity. By contrast, the field of services, which by nature and diversity has a productivity problem, shows a 25 per cent inflation in the period.

Of particular significance is the fact that *the impact of inflation was greater in 1956 than in any year in the last decade*, evidence of the extent that inflationary forces had been permitted to build up in the period. In dollars of current buying power, gross national product was $23 billion higher last year than in 1955; but when adjustment is made for price changes the gain is reduced to $9.2 billion. Here is an implicit inflation of 60 per cent, a larger percentage rise in this respect than even in 1951 when the Korean War had its biggest inflationary impact on the economy.

Half U. S. Building Is In the Suburbs

Nearly half of all the building in the United States last year took place in the suburban and outlying areas of the nation's metropolitan centers.

This is close to double the proportion of the country's entire population contained in these areas, and indicates the broad impact of the growth of suburbanization on the building industry as well as on other areas of economic activity.

The figures show that about $9.1 billion of the total U. S. building permits of $18¾ billion for 1956 were in the suburbs and outlying areas of the metropolitan centers. This repre-

sented about 48 per cent of the total, compared with 27 per cent of the U. S. population residing in these areas.

Another \$5½ billion, or 30 per cent of the year's building permits, were in the central cities of the metropolitan areas, which contained about this same proportion of the country's population. The balance of somewhat over \$4 billion of the 1956 building permits was in the small cities and towns and rural areas combined. The proportion here was only about half of the 41 per cent of the U. S. population residing in these areas. The building figures include additions, alterations and repairs as well as new construction.

Behind these figures is the spectacular growth of the suburbs since the end of World War II. Of the U. S. increase of close to 15 million in population in the 1950-56 period, practically two-thirds was in the suburbs and outlying areas of the metropolitan centers.

Because of this trend, it is not surprising to find more home building in the suburban areas than in the rest of the country put together, along with big proportions of the new schools, shopping facilities, community buildings, etc. Of particular interest is the fact that industry, too, is following the trek of population to the suburbs, giving these areas increasing economic characteristics and making them places in which to work as well as to live.

Modern technology and design require far larger tracts of land for present-day industrial buildings than in the past. Since tracts of the required size are either not available in the central cities or too costly, there has been a steady increase of new factory construction in the suburbs. Of the \$1¼ billion of new industrial buildings for which permits were recorded in 1956, more than \$700 millions, or well over half the total, were in the suburbs.

However, the central cities of the metropolitan areas still retain a commanding lead in certain types of building activity. This is particularly true of office buildings, institutional buildings such as hospitals, and commercial garages, indicating the continuing importance of the major metropolitan city as a service center for its surrounding area.

New Plan To Sell To Pension Funds

The effort to open the pension fund market for mortgages continues with the latest development the organization of a new company to sell partial interests in FHA loans. A change in the FHA regulations permits, for the first time, private institutions to dispose of partial interests in FHA loans by the issuance of notes, participation certificates and other forms of security.

Under such plans persons other than established lending institutions will be able to buy beneficial interests in FHA mortgages by purchasing securities issued by the FHA-approved lender which holds the insured mortgages.

The first institution to take advantage of the new regulations is Instlcorp, Inc., subsidiary of Institutional Securities Corporation of New York, owned entirely by New York mutual savings banks. Instlcorp, Inc., has filed copies of a proposed plan under the terms of which it will issue notes secured by FHA-insured mortgages. Instlcorp intends to sell these notes to pension trust funds.

The resources of the pension and welfare funds of the nation's industries and of its labor unions are between \$40 billion and \$60 billion. Because of the special nature of the mortgage business, most trusteeships are not equipped to handle this type of business. The issuance of collateral trust notes secured by government-insured mortgages, as proposed by Institutional Securities Corporation, will create a new outlet for the mortgage holdings of traditional investment enterprises, it is believed.

Norman Mason said there is still a good market for housing. The recent action of the Institutional Securities Corporation in adopting this new means of utilizing pension funds will go far, he said, to maintain a normal market in which home buyers can compete for their share of money available for investment.

Details of the plan of Institutional Securities Corporation were worked out with FHA officials by Howard W. Brunner of Berle, Berle and Brunner, New York attorneys. Under the plan FHA or VA mortgages will be purchased by Instlcorp, Inc. To finance the purchase of the mortgages, Instlcorp will issue its collateral notes to a pension trust fund. Instlcorp will pledge all the mortgages as security for payment of these notes with the Savings Bank Trust Company of New York as trustee.

» **A FIRST:** James T. Barnes & Company of Detroit arranged for a four-million-dollar FHA commitment for the Carmelite Sisters for the rehabilitation of Carmel Hall, the former Hotel Detroiter. This will be the first loan of its kind under the present FHA law.

That law provides that the FHA may insure housing projects for older people up to 90 per cent of their cost when they are sponsored by a non-profit organization.

The hotel was bought in May, 1955, by the Archdiocese of Detroit. Its cost, including purchase, repairs and improvements, will be about five million dollars.

NEW LOOK AT 1957

(Continued from page 30)

big gains will come from public institutional building and industrial building. Highway spending should be up 9.5 per cent, which is less than was expected.

The "most disturbing" lag in the private sector of spending will come this year in new residential units. They are expected to drop 11 per cent in dollar expenditures and around 18 per cent in terms of units started. The magazine adds that this area "will pick up some towards the end of the year."

Meanwhile, apartment construction, sparked by a boomlet in cooperation, may hit 100,000 units this year, compared to only 82,300 in 1956.

Factories (up 8 to 10 per cent), institutional buildings (up 19 per cent), and public utilities (up 13.5 per cent) are the strongest elements in the private area, while stores, restaurants and garages are the weakest (off 18 per cent).

Life Company 1957 Loans Off One Fourth

In the first six months this year the life companies bought one fourth less mortgages than they did in the same period last year—hardly news to those who sell loans to these companies. Half-year acquisitions of $2-631,000,000 brought mid-year holdings to a record $34,159,000,000.

New investments made in securities and mortgages during the first half-year totaled $7,426,000,000, including reinvestment funds from maturities, amortizations and replacements.

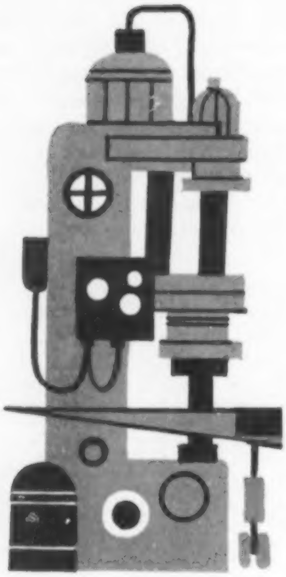
Total assets of all U. S. life insurance companies increased $2,395,-000,000 in the first six months. This was about 8 per cent less than in the first half of last year. The June 30 total of assets was $98,239,000,000.

Coupled with the smaller asset rise, there was a reduced turnover of investments, reinvestment funds available being down 13 per cent from the year before, compared with an 8 per cent smaller increase in assets.

How is life company mortgage money spread out among the various states? The table below, not previously published here, shows how the funds were distributed geographically for the full year of 1956.

	FARM		NON-FARM F.H.A.		NON-FARM V.A.		NON-FARM OTHER		GRAND TOTAL	
STATE	*No.*	*Amount (000 Omitted)*	*No.*	*Amount (000 Omitted)*	*No.*	*Amount (000 Omitted)*	*No.*	*Amount (000 Omitted)*	*No.*	*Amount (000 Omitted)*
Alabama	1,370	$ 13,025	18,850	$ 159,968	25,240	$ 203,946	11,900	$ 147,785	57,360	$ 524,724
Arizona	880	32,024	10,010	61,780	2,670	16,131	10,260	127,537	23,820	237,472
Arkansas	5,630	71,092	12,840	77,238	7,280	44,633	3,410	41,559	29,160	234,522
California	4,630	129,211	59,440	508,232	153,450	1,375,023	146,290	2,267,749	363,810	4,280,215
Colorado	4,640	68,764	14,010	106,877	20,070	173,523	11,690	193,487	50,410	542,651
Connecticut	270	2,002	3,150	23,565	2,710	25,122	11,530	224,749	17,660	275,438
Delaware	30	408	2,380	37,486	6,640	57,849	3,520	49,459	12,570	145,202
Dist. of Columbia	—	—	1,600	50,068	3,010	28,178	5,470	278,068	10,080	356,314
Florida	1,370	64,603	44,020	301,724	25,420	160,274	42,070	580,371	112,880	1,106,972
Georgia	4,240	26,836	24,120	217,368	26,600	209,240	18,220	293,408	73,180	746,852
Idaho	4,340	48,444	4,270	28,509	2,810	20,932	3,660	32,672	15,080	130,557
Illinois	12,860	168,709	32,700	310,645	34,130	316,021	44,780	1,079,673	124,470	1,875,048
Indiana	14,110	116,346	30,740	223,904	21,910	175,903	23,520	265,113	90,280	781,266
Iowa	28,430	299,684	8,590	67,877	10,160	85,878	4,980	90,515	52,160	543,954
Kansas	11,540	97,348	16,890	131,628	15,760	120,603	10,950	163,452	55,140	513,031
Kentucky	4,010	44,799	13,450	108,022	10,300	88,549	12,220	157,277	39,980	398,647
Louisiana	1,250	20,352	27,120	212,748	23,110	190,701	12,460	235,473	63,940	659,274
Maine	120	885	1,760	12,086	640	3,406	1,400	17,294	3,920	33,671
Maryland	480	6,385	12,020	208,051	27,160	238,969	22,750	320,483	62,410	773,888
Massachusetts	80	608	360	8,039	1,490	14,158	6,890	222,851	8,820	245,656
Michigan	2,130	17,203	45,960	367,791	31,270	264,446	56,540	702,607	135,900	1,352,047
Minnesota	12,460	116,375	5,260	58,883	12,870	120,250	12,360	187,454	42,950	482,962
Mississippi	3,230	56,560	12,570	77,335	11,810	77,515	5,750	62,558	33,360	273,968
Missouri	14,170	112,495	18,030	168,558	20,400	175,037	18,540	382,547	71,140	838,637
Montana	1,860	34,181	1,530	14,394	1,710	18,272	1,400	25,341	6,500	92,188
Nebraska	11,220	104,660	12,760	93,955	5,980	46,505	5,550	87,939	35,510	333,059
Nevada	140	7,090	2,550	21,098	1,400	9,108	1,060	22,061	5,150	59,357
New Hampshire	*	2	*	50	10	53	270	8,079	280	8,184
New Jersey	1,640	14,899	7,320	61,197	16,860	145,982	28,450	573,585	54,270	795,663
New Mexico	2,050	41,750	9,470	72,229	6,710	43,932	5,430	60,720	23,660	218,631
New York	2,380	15,484	4,390	125,017	8,900	87,605	44,470	1,965,887	60,140	2,193,993
North Carolina	3,810	29,199	18,980	176,813	18,750	143,832	25,420	282,219	66,960	632,063
North Dakota	1,730	12,070	150	1,175	160	1,757	1,340	23,353	3,380	38,355
Ohio	5,710	56,961	32,010	298,949	38,580	365,476	34,020	701,605	110,320	1,422,991
Oklahoma	8,270	92,979	32,160	199,318	25,100	157,341	11,870	179,607	77,400	629,245
Oregon	2,360	39,717	15,250	117,047	7,090	61,398	10,690	138,469	35,390	356,631
Pennsylvania	1,060	9,224	13,920	86,916	40,220	328,670	41,710	777,732	96,910	1,202,542
Rhode Island	*	18	380	3,437	320	2,803	1,160	21,558	1,860	27,816
South Carolina	670	7,822	14,300	90,964	11,700	87,980	9,160	99,641	35,830	286,407
South Dakota	5,800	44,789	1,600	14,491	810	6,151	1,640	22,276	9,850	87,707
Tennessee	3,100	23,721	32,080	232,217	28,340	190,015	19,670	251,236	83,190	697,189
Texas	19,780	292,924	102,850	729,575	112,060	761,944	133,680	1,774,639	368,370	3,559,082
Utah	890	12,464	7,310	56,563	5,860	44,408	10,130	87,719	24,190	201,154
Vermont	190	1,235	40	853	120	654	450	8,281	800	11,023
Virginia	1,630	22,704	27,360	277,220	30,450	269,709	28,440	389,586	87,880	959,219
Washington	2,740	33,235	33,080	254,401	25,940	197,835	12,910	190,093	74,670	675,564
West Virginia	130	1,256	6,750	42,306	5,770	43,872	5,060	55,970	17,710	143,404
Wisconsin	2,580	26,813	4,190	46,919	6,360	67,411	9,710	189,788	22,840	330,931
Wyoming	1,450	30,606	3,580	27,245	3,310	31,207	840	14,502	9,180	103,560
Total U. S.	213,460	$2,469,961	804,150	$6,572,731	899,420	$7,300,207	945,890	$16,076,027	2,862,720	$32,418,926
Canada	2,030	11,188	25,170	185,361	—	—	19,460	264,661	46,660	461,210
Other	*	34	4,660	54,611	350	4,051	3,120	50,153	8,130	108,849
Grand Total	215,490	$2,481,183	833,980	$6,812,703	899,770	$7,304,258	968,270	$16,390,841	2,917,510	$32,988,985

*Less than 5.



An Opportunity to Increase Profits and Make Your Servicing More Efficient . . . MBA's First

ELECTRONIC AND TABULATING EQUIPMENT SERVICING CLINIC

Hotel Commodore, New York

September 23-26 . . . Plan to Attend

This month MBA is offering something entirely new in the way of a meeting, the Electronic and Tabulating Equipment Servicing Clinic to be held in Hotel Commodore, New York, September 23-26. It is likely to be the largest—and will certainly be the most important—in the long series of meetings devoted primarily to the servicing end of the business which the Association has sponsored over the past decade.

It is actually two programs in one, the first for beginners—that is for representatives of those firms which are not now using electronic equipment in their servicing operation—and the second for representatives of companies in the so-called advance stage of using this equipment. Most sessions for both groups will be repeated several times, so that all attending the four-day meeting will have an opportunity to hear most, if not all, the material presented.

An unusual feature will be the appearance on the program itself of the latest electronic machines and equipment with showings by International Business Machines, Remington Rand and others.

For one of the first times on an MBA program there will be a session organized exclusively for investors.

The meeting is organized under the sponsorship of MBA Servicing Committee, with Clinic Chairman Thomas E. McDonald, vice president, T. J. Bettes Company, Houston and Vice Chairman W. W. Dwire, vice president, Citizens Mortgage Corporation, Detroit.

Gen. L. R. Groves

T. V. Learson

W. E. Alberts

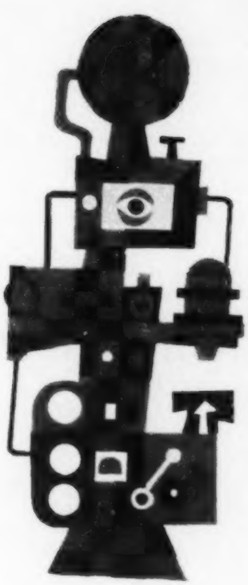
T. E. McDonald

Co-ordinator is Edward J. DeYoung, MBA Director of Accounting and Servicing. Other members of this Committee include Howard E. Meyer, Manager of Servicing, New York Life Insurance Company, New York; A. A. Johnson, vice president, Colonial Mortgage Service Company, Upper Darby, Pennsylvania and John K. Benoit, manager, Equitable Life Insurance Company of Iowa, Des Moines.

Among the principal speakers are Lt. Gen. Leslie R. Groves, U. S. Army (Retired), vice president, Remington Rand Division of Sperry Rand Corporation, New York and T. V. Learson, vice president, International Business Machines Corporation, New York.

Others will be Joseph C. Hudson, treasurer, W. A. Clarke Mortgage Co., Philadelphia; F. C. Haas, manager, mortgage services, Investors Diversified Services, Inc., Minneapolis; Walter Barry, vice president, James T. Barnes & Company, Detroit.

Also Thomas A. Walsh, assistant vice president, Peoples Bond and Mortgage Co., Philadelphia; E. G. Bray, assistant treasurer, T. J. Bettes Company, Houston and James I. McFaul, controller, McMillan Mortgage Co., Los Angeles;



The wonderful new world of electronics and its meaning and value for the field of mortgage lending goes on display this month at a brand new type of meeting where, for the first time, mortgage men will see the ultimate in economical and efficient servicing

Also Charles L. Foley, assistant vice president, First Mortgage Company of Houston, Inc., Houston; Joseph A. Loos, IBM supervisor, James W. Rouse & Company, Inc., Baltimore and T. J. Melody, assistant treasurer, The Lomas & Nettleton Company, New Haven;

Also Lester R. Shelton, assistant treasurer, Mortgage Investment Corporation, Richmond, Virginia; Lemar S. Dornhecker, manager, Machine Accounting, J. E. Foster & Son, Inc., Fort Worth; Joseph W. Scott, supervisor of accounting, Mutual Life Insurance Co. of New York, New York; and Thomas A. Eastes, secretary-treasurer, James H. Pence Company, Louisville;

Also MBA Assistant Directors James G. Wasson and Robert J. Murphy; Richard B. Caton, assistant secretary, Stockton, Whatley, Davin & Company, Jacksonville, Florida and Howard M. Hixon, secretary, The Kissell Company, Springfield, Ohio;

Also W. J. Lierman, controller, Mercantile Mortgage Company, Granite City, Illinois; Mr. Benoit; Fred Spieker, special assistant, New York Life Insurance Company, New York; Warren E. Alberts, director of industrial engineering, United Air Lines, Chicago; Orville Nugent, assistant secretary, The National Life & Accident Insurance Company, Nashville and Peter J. Andre, deputy controller, The Bowery Savings Bank, New York.

ADVANCE REGISTRATION

Electronic and Tabulating Equipment Servicing Clinic
Commodore Hotel, New York, Sept. 23-26, 1957

Firm______________________________

Street Address________________ City and State__________

BEGINNING	ADVANCED
Name__________	Name__________
Name__________	Name__________
Name__________	Name__________
Name__________	Name__________
Name__________	Name__________
Name__________	Name__________
Name__________	Name__________

Registration Fee: Members—$35; Non-members—$60, per company representative. Check for $ is attached. Send to:

MORTGAGE BANKERS ASSOCIATION OF AMERICA
111 West Washington Street, Chicago 2, Illinois

THE SCHOOL OF MORTGAGE BANKING

The 1957 Classes At Stanford

Nearly 125 students took Courses I and II in the MBA School of Mortgage Banking this year at Stanford University, Stanford, Calif. which, added to those who completed the three courses at Northwestern University in June and July, made 1957 the biggest year yet in education. To go further, adding those who attended the Senior Executives Conference at New York University in January, attendance was more than double what it was only a few years ago. The statistics are cited to illustrate the increased importance which this activity has attained in the Association's program.

This year at Stanford 73 students registered for Course I. They came from 36 cities in 11 states, Hawaii and Puerto Rico and represented 48 companies. Most were from the West Coast which is proper since the Stanford section of the School of Mortgage Banking is set up for the West.

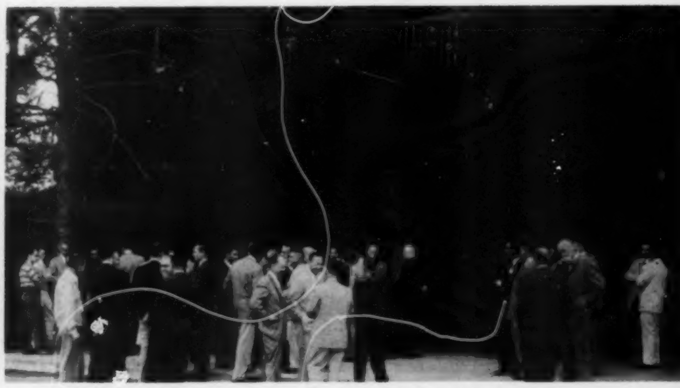
For Course II, 48 were registered from 26 cities in seven states representing 35 companies. Here, as at Northwestern, the high percentage of those coming back for Course II after completing Course I in the previous year was noted with considerable satisfaction. As of now, the final Course III is not being given at Stanford. Thus, the 48 who completed Course II this year at Stanford will, it is hoped, come to Northwestern in 1958 to complete the full three-years' study. Many of those completing Course III in 1957 at Northwestern were original two-year students at Stanford.

The time has passed now for noting that MBA's principal educational effort, the School of Mortgage Banking, has achieved full maturity as one of the chief such activities emanating from industry—that fact is fully recognized. But during a year such as 1957, when the industry it serves was beset with problems and prospects which, even to the most optimistic, appeared to be filled with serious challenges, the MBA School of Mortgage Banking continued to exert great appeal for young people entering, or recently entered, our field of endeavor. Most significant of all, however, is the realization that this business of mortgage banking has become an industry which can hold its own with others in providing a strong appeal for the younger generations. Less than a quarter of a century ago, it must be conceded, the industry was failing to provide any apparent incentive to interest young people. The progress of the mortgage industry during this generation can be measured in many ways—greatly increased volume, modern techniques, etc.—but none more dramatic than the people who see in it a good career for themselves. The School of Mortgage Banking is the measuring stick for that.

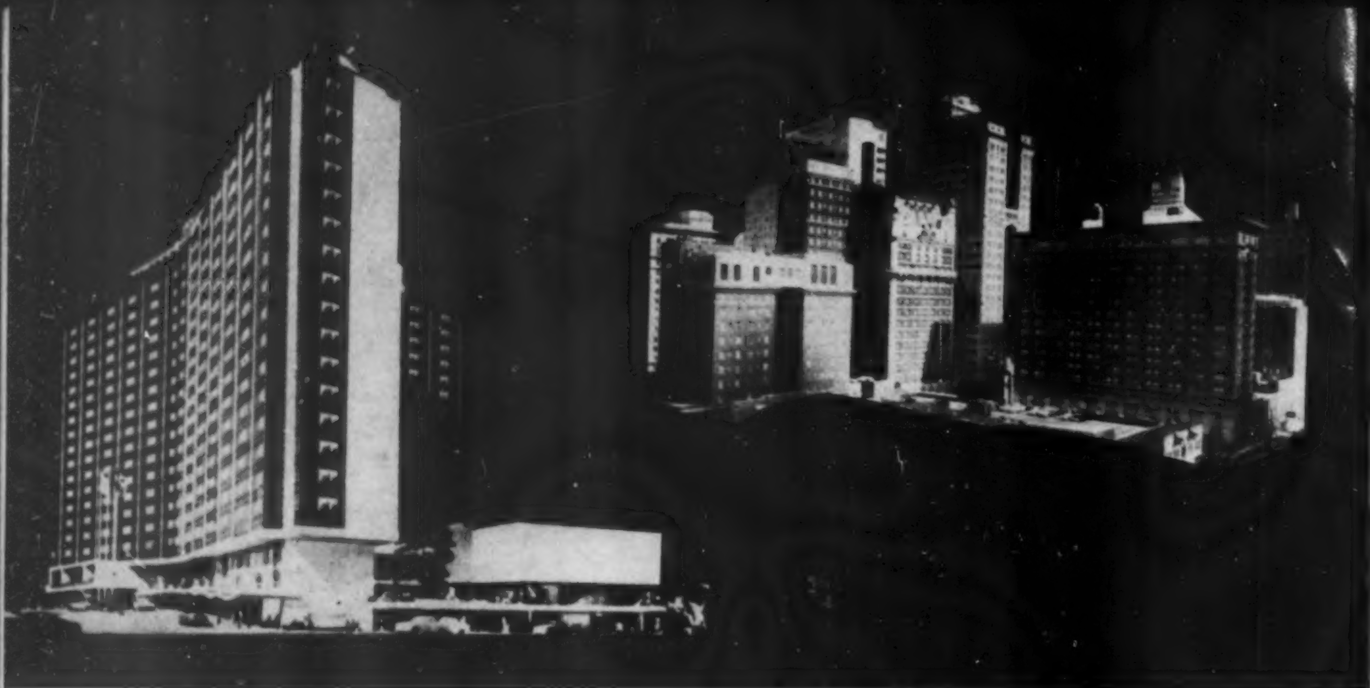
At Course I at Stanford: Left to right: Richard H. Howlett, vice president, Title Insurance and Trust Company, Los Angeles; MBA Director of Education and Research, Lewis O. Kerwood; Walter C. Nelson, president, Eberhardt Company, Minneapolis; Willis R. Bryant, vice president, American Trust Company; George Botta, regional manager, New York Life Insurance Company, San Francisco; Roger C. Olson, vice president, East Bay Mortgage Service, Inc., Oakland; Linden L. D. Stark, vice president, Crocker-Anglo National Bank, San Francisco; and Silas O. Payne, vice president, Marble Mortgage Company, San Francisco. Below, at Course II, Walter C. Nelson and Mrs. Nelson; R. F. Moretti, vice president, Bank of America, San Francisco; John C. Head, The American National Bank, San Bernardino; Fred C. von Schell, Pajaro Valley Bank, Watsonville, Calif.; Guido Bartolo, Bank of America, Vallejo, Calif.; Francis E. Burrows, Bank of America, Sacramento; and Roland Risso, Bank of America, Los Gatos, Calif.

Seen at Stanford: James R. Cahoon, Western Mortgage Loan Corporation, Salt Lake City; Duane Q. Austin, Union Bank and Trust Company, Salt Lake City; MBA Director of Servicing and Accounting Edward J. DeYoung and Mrs. DeYoung; and Roger C. Olson, East Bay Mortgage Service, Inc., Oakland, and Mrs. Olson. At Course I, right, C. Jack Schleuning, The Richard Gill Company, San Antonio; Edward F. Janak, Jr., Texas State Mortgage & Investment Co., Houston; H. Franklyn Horton, The Central Bank and Trust Company, Denver; and Fred L. Friedrichsen, The Omaha National Bank, Omaha.

They were there: Mrs. Celina Rabal, Security National Bank of Huntington, Amityville, N. Y.; George C. Hudspeth, Maginn-Martin-Salisbury, Inc., St. Louis and Mrs. Hudspeth; William Hirschfeld, Security National Bank of Huntington, Amityville, N. Y.; and Beatrice M. Paget, Paget Mortgage Company, Portland, Oregon. Right, at Course II, Stanley Le Bon, Metropolitan Mortgage Corporation; Robert C. Hamer, Insurance Funds Mortgage Co.; Robert A. Pearson, Insurance Funds Mortgage Co.; R. D. Schow, The Colwell Company, all of Los Angeles; Mrs. Lowell H. Duggan, Alameda; Hugh H. Tebault, Duggan Investment Company, Alameda and Kenneth J. Warren, Mason-McDuffie Co., Berkeley.



Beginners, above, Charles W. Laraway, The Bank of California, Burlingame; Raymond C. Ralph, T. J. Bettes Company, Los Angeles; Joseph L. Carroll, Jr., Carroll Mortgage Company, Seattle; Daniel D. Alden, T. J. Bettes Company, San Francisco; James R. Green and Kenneth R. Williams, both of Coast Mortgage & Investment Co., Seattle. Above, right, a session break. Below, another one and, below right, off for the field trip. Attendance at the 1957 Stanford School was, as at Northwestern, at a record high.



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New Mexico Acts to

CUT REDEMPTION PERIOD BY 6 MONTHS

Local group joins others over country in securing needed reform in legislation

Following the recent action taken in Illinois, Indiana and West Virginia, where substantial modernization of mortgage and foreclosure laws was achieved, many local groups over the country are giving serious consideration to similar action in their own states. New Mexico is one. In that state the redemption period after foreclosure may now be reduced from nine months to three on all types of real property by agreement between the lender and the borrower under new statutory authority given by the 1957 legislature which amended existing law by adding the following provision, "— — — — — provided, however, the parties to any such instrument may by its terms shorten the redemption period to not less than three months; but provided, further, however, the District Court may in such cases upon a sufficient showing before judgment that redemption will be effected, increase the period of redemption to not to exceed nine months notwithstanding the terms of such instrument."

This amendment was secured through the combined efforts of realtors, builders, veterans' groups and lenders working largely under the leadership of L. W. Sutton, president of the Albuquerque MBA and vice president of Gulf Coast Investment Corporation, Houston, in charge of the Albuquerque office serving New Mexico and West Texas. Mr. Sutton and others cooperating with him contacted nearly every New Mexico legislator laying the groundwork for the amendment, and testified several times before various House and Senate committees. The provision that the District Court *may* increase the period back to nine months upon *sufficient* showing that redemption *will* be effected was a compromise finally deemed by the legislature to be sufficient protection for non-urban borrowers.

FHA and VA have approved the inclusion of the following in their standard mortgage forms: "If this mortgage is foreclosed the redemption period after judicial sale shall be three months in lieu of nine months."

Albuquerque mortgage bankers report that reaction from institutional investors has been exceptionally favorable.

During the 1957 session of the Washington legislature a law was passed providing that an investor in mortgages in that state did not have to qualify to do business there. The Seattle MBA was instrumental in securing the legislation. Further legislative work is contemplated by the group next year. Sheffield Phelps, vice president, Securities Mortgage, Inc., Seattle, is president; Don McClure, Prudential Mutual Savings Bank, is vice president and Harry B. Dye, vice president and manager of Seattle Trust and Savings Bank, Seattle, is secretary-treasurer.

In Wisconsin, the "doing business" statute has been clarified by the legislature. It was a clarification so that out-of-state lawyers may render an opinion instead of having to depend entirely on local attorneys. An unworkable anti-coercion insurance law was introduced but, after amendments, it is not thought that the legislation will be harmful.

The Wisconsin Mortgage Investors Association is looking forward to a further effort in revising the state's antiquated foreclosure laws. William W. Bunge of Mortgage Associates, Milwaukee, is president of the group this year.

In Tennessee, the Memphis MBA, working with mortgage bankers throughout the state, was successful in obtaining legislation to encourage the investment of funds for mortgages by out-of-state pension funds. Memphis, incidentally, is launching a comprehensive urban renewal program. A large 221 financing program has been arranged in the city which has long been a leader in fighting urban blight. Max B. Ostner, vice president, James E. McGehee & Company, Inc., is president; Arthur R. Davant, Jr., president, Arthur R. Davant Company, is vice president and William F. Ledsinger is secretary-treasurer.

The Palm Beach County MBA, organized only a year and a half ago, has made significant progress in attaining several objectives which would not have been possible without an organization. Recently members of the group got together on a standard appraisal fee to charge on all loans as well as a standard brokerage fee to all borrowers. The group is now working on a standard commission agreement.

The North Carolina MBA, one of the more active groups in the southeast, is planning a meeting for early September. A number of the South Carolina members of MBA have suggested the possibility of becoming affiliated with the North Carolina MBA, with the possibility that the Association might be re-named the Mortgage Bankers Association of the Carolinas.

Lubbock, Texas MBA has joined with the local home builders association and real estate board to sponsor a School for Home Buyers this month. It calls for four meetings where panel lectures will be presented to instruct prospective home owners in things they should know in buying a home. The Lubbock MBA, now in its third year, has a membership of 23 firms. All types of lending institutions are represented. Current officers are Richard Therrien, Mortgage and Trust, Inc., president; Raymond Barker, American State Bank, vice president and Frank Havens, J. W. Chapman & Sons, secretary-treasurer.

J. C. McGee has been elected chairman of the board of Reid-McGee & Company, Jackson, Mississippi. **J. W. Hardin** has been named president, **R. W. Warren** has been named executive vice president, **H. G. McGee** and **C. B. Boone,** vice presidents, **F. B. Williams,** vice president and treasurer, and **L. E. Germany** has been elected secretary.

Vice President Thomas L. Lowe announced the appointment of **Roger M. Kelley** and **Jack D. Greene** as real estate supervisors for Pacific Mutual Life Insurance Company. Kelley's responsibilities will include supervision of construction, lease agreements, and property purchases, while Greene will act as administrator for all Pacific Mutual owned real estate. Kelley joined the company's mortgage loan and real estate department in 1950 and Greene came to the company in 1955.

Walter D. Cahill has been named assistant secretary in charge of the Harrisburg, Pa., office of Peoples Bond and Mortgage Company, Philadelphia.

Carl S. Davis, vice president, J. E. Foster & Son, Inc., has been elected president of the Dallas MBA. Other officers elected are James Wooten, vice president, T. J. Bettes Co., vice president and Jack Driscoll, Guillot Mortgage Co., secretary-treasurer.

Alfred L. Raney, executive vice president, Mortgage and Trust, Inc., Houston, has been elected president of the Houston MBA.

Martin H. Morgan has joined Ben G. McGuire & Company of Houston as executive vice president. He was previously with the Prudential Insurance Company and in 1951 joined Massachusetts Mutual Life Insurance Company as assistant manager of their southwestern mortgage loan office in Dallas. Ben G. McGuire & Company handles commercial and income property loans only and is correspondent for New England Mutual, Massachusetts Mutual Life and State Mutual Life Assurance.

Martin Morgan

W. E. Strasser

William E. Strasser has joined Percy Wilson Mortgage & Finance Corp., Chicago, as vice president and manager of the corporate finance department. Mr. Strasser has had eight years of experience in the corporate field, dealing primarily with institutional investors. Prior to joining the Wilson firm, he was with the investment department of The First Boston Corporation. He will handle corporate financing for new construction or expansion, through mortgages, private placements, or purchase-leasebacks.

(Continued on page 60)

PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

Young man, college graduate, over five years experience in mortgage servicing, desires connection with mortgage company. Presently residing in southeastern United States. Will re-locate. Write Box 445.

Am interested in organizing or buying into an F.H.A. approved mortgage company in Metropolitan area of Washington, D. C. Write Box 446.

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Harold R. Baarson, until recently in charge of the mortgage loan department of United Benefit Life Insurance Company, Omaha, has been elected assistant vice president of Draper & Kramer, Inc., Chicago, and will be in charge of the mortgage loan department in the firm's Minneapolis office. Mr. Baarson spent 12 years with the Northwestern Mutual Life of Milwaukee and five with the Occidental Life of California prior to joining United Benefit. He is a member of the American Institute of Real Estate Appraisers and a senior member of the Society of Residential Appraisers. He will be assisted by **Donald C. Lydon,** also formerly of United Benefit Life.

H. R. Baarson

Greenebaum Mortgage Company, Chicago, announced that **Don C. Armstrong,** vice president of National Homes Acceptance Corporation, has rejoined the Greenebaum organization as manager of its residential loan department. Mr. Armstrong was an active figure in Chicago real estate financing for more than 20 years before joining National Homes. From 1934 to 1940 he was assistant state re-conditioning supervisor for HOLC and during the following three years served as mortgage manager for Investors Diversified Services.

George W. DeFranceaux, president, Frederick W. Berens, Inc., Washington, D. C., and **Gerard J. Manack,** president, Tidewater Mortgage Corporation of Hampton, Virginia, announced that Tidewater has acquired the branch offices formerly operated by Berens in southeastern Virginia. They are in Norfolk, Richmond, and Hampton.

Mr. Manack who has assumed his duties as president of Tidewater was formerly senior vice president of the Berens firm. He has been in the mortgage loan business for more than a decade having developed many of the loans in the area to be served by the new corporation.

Associated with Manack are **John A. Sheets** who becomes secretary-treasurer; **Charles Tyler,** vice president in charge of the Richmond office and **Thomas A. Gillette, Jr.** assistant vice president in charge of the Norfolk office.

New investors in Seattle and Moses Lake, Washington have purchased the controlling interest in National Mortgage, Inc. in Seattle. Officers are **Sherman S. Stephens,** president, **Harold F. Fleharty,** senior vice president, **Ray W. Price,** vice president and **Howard R. Helmick,** treasurer.

G. R. Sloane was appointed general manager of Arizona Title Guarantee & Trust Company, Phoenix, when **Porter Bruck** retired from his position as executive vice president.

Don Peer, manager of the Mesa office, has been promoted to assistant vice president.

Mr. Bruck has completed the five-year contract he took with Arizona Title when he retired from the presidency of Land Title Insurance Company in Los Angeles to move to Arizona, and he will now divide his time between various interests in Southern California. He was first vice president of Title Insurance & Trust Company, Los Angeles, before going to Land Title, and served as president of American Title Association 1938-39.

"FIRST CITIZEN"—Lon Worth Crow, Sr., of Miami, whose firm has been one of the pioneer members of MBA and who, himself, has been a pioneer in the mortgage industry, was the recipient of high praise from the *Miami Daily News* on the occasion of his 80th birthday on September 25. The *News* nominated Mr. Crow as "Miami's First Citizen" and the tribute related how he had come to Florida in 1913, became sold on the State and its future and backed up his enthusiasm by opening his real estate office. He later added mortgages, insurance and appraisals and created a well-rounded organization, which, in itself, has made an important contribution to the growth and progress of Miami and South Florida. He didn't let the boom-and-bust experience of the 20's deter him. When the Miami Chamber of Commerce was ready to close its doors in 1926 he came up with a plan which saved the day. He never ceased in his enthusiasm for the area and was always plugging away, bringing investors to the State. His efforts were directed into many avenues. He headed the campaign for a six million dollar bond issue to improve Jackson Memorial Hospital and it was but one of many civic activities that bore the Crow stamp for a period of nearly 44 years.

To an outstanding mortgage banker and an equally outstanding citizen, best wishes for many more birthdays!


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